TAB 1

EXHIBIT
P280
147.11

Rhinebridge SIV

STRUCTURE AND CREDIT COMMITTEE

Date: March 22, 2007
Analysts: Lapo Guadagnuolo, Stephen Mccabe (quantitative analysts)
Attendees: Perry Inglis, Katrien Van Acoleyen, Cristina Polizu, Nik Khakee, Tom Kitto, Jonathan Lam, Jake Chao.

NOTE: Due to technical problems, we could not blackline this ramp to Cheyne SIV, of which this vehicle is a copy cat both in terms of structure and modelling, since the arranger is the same, Morgan Stanley. However, we used the same format of Cheyne's ramp and we will highlight the few points that we would like committee for focus on. As a summary, the only points that are different from Cheyne SIV are:

- **The presence of senior capital notes that we refused to rated AAA, whereas they will be AAA both from Fitch and Moody's (see Appendix I for committee where it was agreed not to rate them).**
- **HEL portfolio limit and**
- **appointment of the Enforcement Manager.**

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I. General Transaction Terms

Overview

Rhinebridge PLC is a structured investment vehicle ("SIV") in respect of which IKB Credit Asset Management GmbH situated in London and a wholly owned subsidiary of IKB Deutsche Industriebank AG ("IKB") will act as investment manager (the "Investment Manager").

Rhinebridge PLC will invest in a portfolio of highly-rated cash ABS securities

Rhinebridge PLC (the "Issuer"), will issue Euro C.P., Euro MTNs and Euro Capital Notes (collectively referred to as "Euro Notes"). Rhinebridge PLC is a bankruptcy remote public limited company incorporated in Ireland.

Rhinebridge LLC (the "Co-Issuer"), a wholly owned subsidiary of the Issuer, will together with the Issuer co-issue U.S. C.P., U.S. MTNs and U.S Capital Notes (collectively, the "U.S. Notes"). Rhinebridge LLC is a bankruptcy remote Delaware limited liability company.

The Euro Notes and U.S. Notes (collectively the "Notes") will have substantially the same terms and conditions subject to jurisdictional requirements.

Programme Size

Initially, up to a maximum of $20 billion aggregate principal amount of Commercial Paper and Medium Term Notes may be outstanding at any one time.
Initially, up to a maximum of $3 billion aggregate principal amount of Capital Notes may be outstanding at any one time.

Capital Notes

At Closing, four tranches of Capital Notes will be issued, Senior Capital Notes, Mezzanine Capital Notes, Junior Capital Notes and Combination Capital Notes.

The Capital Notes will initially be floating rate and issued in U.S. Dollars only. Non-U.S. Dollar and/or fixed rate issuance of Capital Notes would only be made <u>subject to Rating Agency Approval</u>.

Combination Capital Notes shall contain Senior Capital Note, Mezzanine Capital Note and Junior Capital Note components in defined proportions

Rating Agencies

Standard & Poor's Ratings Services ("S&P"), Moody's Investors Service Limited. ("Moody's"), Fitch Ratings Limited ("Fitch")

Ratings

Rhinebridge PLC as a vehicle will have the following counterparty credit rating:

S&P	[AAA]
Moody's	[Aaa]
Fitch	[AAA]

The Senior Debt Obligations will have the following credit ratings:

S&P	[A-1+/AAA]
Moody's	[P-1/Aaa]
Fitch	[F1+]

The Senior Capital Notes would be expected to have the following ratings:

S&P	[NR]
Moody's	[Aaa]
Fitch	[AAA]

The Mezzanine Capital Notes will have the following ratings:

S&P	[A]
Moody's	[A3]
Fitch	[A]

The Junior Capital Notes will not be rated.

The Combination Capital Notes will have the following rating:

S&P	[BBB]
Moody's	[Baa2]
Fitch	[BBB]

Expectation in terms of capital structure is

AAA/A-1+ MTNs/CPs = 91%
NR senior cap notes = 3.5%
A mezzanine cap notes = 4.5%
NR Income notes = 1%
Leverage to MTN/CPs = 10.11

IKB will invest 50% in both the senior and mezzanine capital notes and 40% in the income notes.

Security Agreement

The Issuer will grant a security interest in the Investments and its other interests (including certain bank accounts and its rights under the programme documents) (collectively, the "Collateral") to the Security Trustee for the benefit of the Secured Parties.

The Capital Notes will be secured on a subordinated basis on all of the Collateral

The Security Trustee will enforce its rights in the Collateral following the occurrence of an Enforcement Event. The Issuer may not issue any further Debt Obligations after the security interest is enforced. In addition, the Security Trustee shall with the help of the manager thereafter manage the Issuer's business under guidelines intended to provide for the payment of outstanding Debt Obligations in accordance with the Priority of Payments in Enforcement. The Security Trustee will be authorised (or, under certain circumstances, required) by the Security Trust Deed to liquidate the Investments to provide for, among other things, the payment of the Senior Obligations.

Secured Parties	*Inter alios*, Debt Obligation holders, the Hedge Counterparties, the CDS Counterparties, the Liquidity Providers, any Repo Counterparties, the Investment Manager, the Administrator, the issuing and paying agents and the placement agents for the Debt Obligations.
Limited Recourse and Non Petition	The Issuer's obligations will be payable solely from the Collateral and no recourse shall be had against any other investments or any other person in respect of such liabilities. Non petition language will be signed up by all parties.
Security Trustee	The Bank of New York
Investment Manager	IKB Credit Asset Management GmbH, London Branch which is situated in London and a wholly owned subsidiary of IKB.
Substitute Investment Manager	Initially, QSR Management Limited ("QSR").
Investment Management Fee	Fees due to the Investment Manager under an investment management agreement to be entered into between, *inter alios*, the Investment Manager and the Issuer. The Investment Management shall receive a Senior Management Fee of 5 bps and a Junior Management Fee of 4 bps calculated with reference to the total notional of assets under management (excluding Cash Equivalents). The Senior Management Fee is payable as part of the Subordinated Administrative Expenses. The Junior Management Fee ranks junior to the Senior Capital Notes and Mezzanine Capital Notes, but senior to the Junior Capital Notes. In addition, the Investment Manager receives an Incentive Fee equal to the Post Reserve Distributable Profit not distributed to the Capital Noteholders as Variable Margin.
Arranger	Morgan Stanley & Co. International Limited
Administrator	QSR
Auditors	Most probably, KPMG
Administrative Expenses	The following Administrative Expenses will be paid in the following order of priority and senior to any payments to the Senior Obligations: a) any fees, costs and expenses (including reasonable legal fees and expenses) of the Security Trustee, any Receiver or Insolvency Administrator; b) any fees, costs and expenses (including reasonable legal fees and expenses) of the Custodian; c) any fees, costs and expenses (including reasonable legal fees and expenses) of the Securities Agents; d) any fees and expenses of the Issuers for the purposes of maintaining their corporate or limited liability company existence or authority to engage in the transactions contemplated in the Transaction Documents; e) any indemnification obligations of the Issuer to the Security Trustee, any Receiver or Insolvency Administrator; f) any indemnification obligations of the Issuer to the Custodian, the Securities Agents, the Manager, the Administrator, the USCP Placement Agents, the ECP Dealers and the Term Note Dealers up to the relevant Indemnity Cap.

Senior Obligations	The following obligations of the Issuer shall be Senior Obligations: a) Senior Debt Obligations; b) Payments under Liquidity Advances; and c) Payments under Hedge Contracts.
Operating Expenses	The following Operating Expenses will be paid *pari passu* and junior to any Administrative Expenses, any payments to the Senior Obligations and any obligations to purchase Investments previously committed to be purchased: a) Administrator Fee; b) Senior Investment Management Fee; c) Issuer expenses not covered by Administrative Expenses;
Priority of Payments before Enforcement	Prior to an Enforcement Date, the Issuer shall pay its Obligations on the date when they become due and payable and subject to the applicable Restricted Investment Limitations or Restricted Funding Limitations.: **first**, to pay all Administrative Expenses due on such date,; **second**, to pay, *pro rata*, all amounts due on such date in respect of any Senior Obligations; **third**, to acquire Investments previously committed to be purchased; **fourth**, to pay, *pro rata*, all Operating Expenses due on such date; **fifth**, to pay all Interest Amounts and principal in respect of Capital Notes due on such date, in accordance with the Interest Payment Priority and the Redemption Priority specified in the Terms and Conditions of the Capital Notes; **sixth**, to pay, *pro rata* and *pari passu*, the Mezzanine Capital Notes Subordinated Payments due on such date; **seventh**, to pay, *pro rata* and *pari passu*, the Junior Capital Notes Subordinated Payments due on such date; **eighth**, to pay all of the Variable Margin, if any, in respect of the Capital Notes due on such date in accordance with the Interest Payment Priority specified in the Terms and Condition of the Capital Notes; **ninth**, to pay the Incentive Management Fee to the Manager.
Priority of Payments following Enforcement	Following an Enforcement Date, any amounts received by the Security Trustee or a Receiver shall, be applied in the following order of priority

first, in satisfaction of or provision for all Administrative Expenses accrued and/or payable, in the order specified in the definition of Administrative Expenses;

second in satisfaction of or provision for all Senior Obligations as and when the same become payable and, if more than one such Senior Obligation is payable at the relevant time, *pari passu* and in proportion to the amounts payable in respect thereof;

third, in satisfaction of or provision for all Operating Expenses accrued and/or payable;

fourth, in satisfaction of or provision for all Interest Amounts and all outstanding Redemption Amounts payable to the Senior Capital Noteholders in respect of Senior Capital Notes outstanding *pari passu* and in proportion to the amounts payable;

fifth, in satisfaction of or provision for all Interest Amounts and all outstanding Redemption Amounts payable to the Mezzanine Capital Noteholders in respect of Mezzanine Capital Notes outstanding *pari passu* and in proportion to the amounts payable;

sixth, in satisfaction of or provision for all Mezzanine Capital Notes Subordinated Payments *pari passu* and in proportion to the amounts payable;

seventh, in satisfaction of or provision for all Interest Amounts and all outstanding Redemption Amounts payable to the Junior Capital Noteholders in respect of Junior Capital Notes outstanding *pari passu* and in proportion to the amounts payable;

eighth, in satisfaction of or provision for any Junior Capital Notes Subordinated Payments *pari passu* and in proportion to the amounts payable;

ninth, in satisfaction of an amount equal to the greater of (A) the remaining surplus (if any) less the Equity Amount and (B) zero, which shall be declared as Distributable Profits and paid first to the Capital Notes as Variable Margin in accordance with the Interest Payment Priority specified in the Terms and Conditions of the Capital Notes and then to the Manager as Incentive Management Fee; and

tenth, in payment of any remaining amount following application of the amounts set out in the above paragraphs (which amount shall not exceed the Equity Amount) to the Issuer and the Co-Issuer.

II. Market Valuations

Valuation	The Market Value of each (a) Investment and (b) Hedge Counterparty Exposure ,shall be checked daily.
General Valuation Rules	The following general rules are applicable to all valuations of Investments: a) The Investment Manager shall use best endeavours to ascertain the Market Value of each Investment sourced using an Approved Form of Valuation on a weekly basis; b) If the Investment Manager cannot ascertain the Market Value of an Investment using an Approved Form of Valuation on a given day, the discount margin relating to the Investment shall remain unchanged, and the Market Value shall be updated to reflect accrued interest and the natural movement to par of the clean price (e.g. for a constant discount margin and amortisation profile the clean price will tend towards par on the final payment date). c) Should the Investment Manager fail to source an Approved Market Valuation from dealers for more than 4 successive weeks, the Investment shall be valued at the lower of (i) the lower of the S&P or Moody's or Fitch relevant recovery rate (ii) [90%] of the last Market Value sourced from a dealer. d) All Market Values shall be updated daily by either (i) comparing the Market Value from the previous day (ii) cross checking any price movement with any corresponding movement in spread, (iii) using the discount margin or (iv) checking against known market movements and conditions. e) In addition to sourcing Market Values for Investments, the Investment Manager will also endeavour to source discount margins from external sources independent of the Issuer and Investment Manager at the same time as an Approved Market Valuation is obtained. Such discount margins shall be used to check the Approved Market Value and assumed amortisation profile for price validation purposes. f) The discount margin is either calculated from the Approved Market Valuation using an accepted fixed income pricing calculation methodologies or sourced as in (e) above.
Approved Form of Valuation	The market valuation of the Investments will be obtained using one of the two Approved Forms of Valuation of Investments listed below: a) Directly sourced from dealers following the Dealer Pricing Guidelines for Investments; or b) Using electronic External Pricing Sources
Dealer Pricing Guidelines for Investments	When sourcing Market Value information from dealers, the following rules shall apply: a) It shall be a condition precedent that a dealer from whom an Investment is purchased must provide a weekly bid price to be used in the calculation of the Investment's Market Value.. b) Valuations may be sourced from additional dealers where deemed necessary or appropriate by the Investment Manager.

	c) Where the Investment Manager deems a valuation too high or too low pursuant to the General Valuation Rules, the dealer is requested to reaffirm the valuation and to explain the basis of the quotation.
	d) If the Investment Manager remains dissatisfied with the accuracy of the valuation and if the valuation has been obtained from a single dealer, then one or more valuations will be sought from other dealers
External Pricing Sources	Only electronic External Pricing Sources then currently used by market participants will be used as pricing sources, which will initially include (but may be expanded, subject to Rating Agency Confirmation, from time to time): JPMorgan Index; IDC; Bloomberg Generic; Bloomberg; Euroclear; Reuters; Markit; Broker;
Approved Forms of Valuations of Hedge Counterparty Exposures	All Hedge Counterparty Exposures will be Marked to Market daily using one of the three Approved Forms of Valuation of Hedge Counterparty Exposures listed below: a) Market Values directly sourced from dealers; b) Exchange-traded Hedge Contracts will be valued at the official closing price; or c) Modelled valuations. This is where the [Administrator, on behalf of the Issuer], derives a Market Value for a Hedge Counterparty Exposure using an in-house or third party derivative valuation system based on accepted fixed income pricing calculation methodologies..

III. Capital Tests

Rationale

On each Business Day, in order to ensure capital adequacy, the Issuer will consider the Market Value of all Investments and Hedges, and will assign a capital charge.

Capital Test Overview

Each Capital Test must be tested on each Business Day, apart from the Simulation Model Rating Test for the Capital Notes, which shall be calculated weekly.

Failure to comply with the Minor Capital Tests will lead to Restricted Investments. Failure to comply with the Major Capital Tests will result in Restricted Funding (with the exception of the Major Capital Loss Limit Test, failure of which will result in Enforcement). In both cases there is a 5 Business Day cure period to permit curing of the test.

Capital Tests

The Capital Tests shall comprise the Major Capital Tests and the Minor Capital Tests

The Major Capital Tests comprise:

a) Major Capital Adequacy Test

b) Major Capital Loss Limit Test

The Minor Capital Tests comprise:

a) Minor Capital Adequacy Test

b) Minor Capital Loss Limit Test

c) Capital Note Simulation Model Rating Test

Major Capital Adequacy Test

The capital requirement is determined by the haircuts applied to the Investments and net positive Hedge Counterparty Exposures.

In comparison to the Minor Capital Adequacy Test, the minimum required capital is set lower, using the Investment Capital Requirement and Hedge Capital Requirement, without multiplying either by a factor.

The Major Capital Adequacy Test shall be defined as:

$I(Major) + H(Major) - P - Q - L - CD \geq 0$; where:

I(Major) = sum of Market Value of Cash Investments * (1- relevant Investment Capital Requirement))

H(Major) = sum of Market Value of net positive Hedge Counterparty Exposures * (1- relevant Hedge Capital Requirement)) + Market Value of net negative Hedge Counterparty Exposures (negative number)

P = sum of additional capital charges incurred due to breaches of Portfolio Parameter Tests

Q = additional capital charge incurred due to a breach of the Maximum Net Positive Hedge

Counterparty Exposure Test.

L = Effective Notional Value of Senior Debt Obligations and all additional obligations which rank senior or pari passu to the Senior Debt Obligations.

CD = is the maximum amount of breakage fee payable at any time for the withdrawal of Breakable Deposits

For the avoidance of doubt, for Ineligible Investments, the amended market value as calculated in I(Minor) shall be considered to be zero, i.e. the Investment is fully capitalised.

Major Capital Loss Limit Test

The Major Capital Loss Limit Test measures whether the NAV of the Capital Notes is less than the given level.

The Major Capital Loss Limit Test shall be satisfied if:

$NAV >= 0.5\ CN$

CN is the principal amount outstandingof the Capital Notes.

Minor Capital Adequacy Test

The capital requirement is determined by the haircuts applied to the Investments and net positive Hedge Counterparty Exposures.

In comparison to the Major Capital Adequacy Test, the minimum required capital is set higher, multiplying both the Investment Capital Requirement and Hedge Capital Requirement by a factor.

The Minor Capital Adequacy Test shall be defined as:

$I(Minor) + H(Minor) - P - Q - L - CD \geq 0$; here:

I(Minor) = sum of Market Value of Cash Investments * (1- (relevant Investment Capital Requirement*(100/70))

H(Minor) = sum of Market Value of net positive Hedge Counterparty Exposures * (1- (relevant Hedge Capital Requirement*(100/70) + Market Value of net negative Hedge Counterparty Exposures (negative number)

P, Q, L and CD are as defined in Major Capital Adequacy Test above

For the avoidance of doubt, for Ineligible Investments, the market value shall be considered to be zero, i.e. the Investment is fully capitalised.

Minor Capital Loss Test

The Minor Capital Loss Limit Test measures whether the NAV of the Capital Notes is less than the given level.

The Minor Capital Loss Limit Test shall be defined as:

$NAV > 0.7\ CN$

CN is the principal amount outstandingof the Capital Notes.

Capital Note Simulation Model Rating Test

The Capital Note Simulation Model Rating Test shall be breached if the output from the Capital Note Simulation Model implies Capital Note ratings falling below the following levels:

a) Senior Capital Notes: Rating falls below [Aa2] (Moody's), or [AA] (Fitch)

b) Mezzanine Capital Notes: Rating falls below BBB+ (S&P), Baa1 (Moody's), or

BBB+ (Fitch)

c) Combination Capital Notes: Rating falls below BB+ (S&P) or below, or Ba1 (Moody's) or below, or BB+ (Fitch)

The Capital Note Simulation Model Rating Test will be performed on a weekly basis and each time new Capital Notes are issued by the vehicle or existing Capital Notes are redeemed.

Leverage Limit	22, calculated as notional of Senior Debt Obligations over NAV.
Hedge Counterparty Capital Requirements	The Base Capital Requirement for net positive Hedge Counterparty exposures is dependent on the Applicable Hedge Counterparty Rating of the Hedge Counterparty and the tenor of the Hedge Agreement. The Capital Investment Class for net positive Hedge Counterparty Exposures shall be RMBS.
Eligible Hedge Counterparty Rating	A Hedge Counterparty has an Eligible Hedge Counterparty Rating if the Applicable Hedge Counterparty Rating is equal to or higher than A-1, P-1 and F1 by S&P, Moody's and Fitch respectively.

IV. Investment Portfolio

Investment Class	At closing, it is only Structured Finance or cash
Investment Purchase Criteria	The Issuer is permitted to invest in Investments which, at the time of purchase, satisfy each of the following Investment Purchase Criteria:

a) Each Investment must have a Deemed Rating of at least:

i) A- by S&P

ii) A-1 by S&P and has an original term to maturity of [180] days or less

b) Each Investment must be one of the Eligible Investment Types;

c) No investment may be made in SIV securities, interest only bonds or convertible bonds;

d) Each Investment must be capable, in normal market conditions, of being marked to market on a regular basis using an Approved Form of Valuation;

e) Each Investment must be denominated in an Eligible Currency;

f) Each Investment must bear or accrete interest at a fixed rate or at a floating rate under an interest-rate index;

g) Each Investment must be issued by an Obligor domiciled in an Eligible Jurisdiction;

h) The Issuer is not restricted from purchasing such Investment as a result of being in Restricted Investments, Restricted Funding or Enforcement or such an Investment would not give rise to a Restricted Investments Event, a Restricted Funding Event or an Enforcement Event;

i) The Issuer must be capable of hedging each Investment in compliance with the Market Sensitivity Tests, or in compliance with the HEL Hedging Criteria;

j) Future cash flows are not dependent upon any event, other than the ability of the Obligor to make such payments.

k) No Investment may be made if the addition of such Investment to the Investment Portfolio would result in the breach of an Eligible Limit of a Portfolio Parameter Test, or, to the extent that such Eligible Limit was not satisfied prior to such investment, such breach shall not be made worse following such investment;

l) The Maximum Non-AAA Rated CDO Investment at Point of Purchase Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Non-AAA Rated CDO Investment at Point of Purchase Test was not satisfied immediately prior to such investment, such Maximum Non-AAA Rated CDO Investment at Point of Purchase Test shall not be made worse following such investment;

m) The Maximum Legal Final Maturity of Investments at Point of Purchase Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Legal Final Maturity of Investments at Point of Purchase Test was not satisfied immediately prior to such investment, such Maximum Legal Final Maturity of Investments at Point of Purchase Test shall not be made worse following such investment;

n) The Maximum Expected Final Maturity of Investments at Point of Purchase Test must be

satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Expected Final Maturity of Investments at Point of Purchase Test was not satisfied immediately prior to such investment, such Maximum Expected Final Maturity of Investments at Point of Purchase Test shall not be made worse following such investment;

o) The Maximum Investment Weighted Average Life at Point of Purchase Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Investment Weighted Average Life at Point of Purchase Test was not satisfied immediately prior to such investment, such Maximum Investment Weighted Average Life at Point of Purchase Test shall not be made worse following such investment;

p) The Maximum Investment Portfolio Weighted Average Life Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Investment Portfolio Weighted Average Life Test was not satisfied immediately prior to such investment, such Maximum Investment Portfolio Weighted Average Life Test shall not be made worse following such investment;

q) The Maximum Non-Public Rated Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Non-Public Rated Test was not satisfied immediately prior to such investment, such Maximum Non-Public Rated Test shall not be made worse following such investment;

r) The Maximum Single Obligor at Point of Purchase Test - % of Total Principal Portfolio Value must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Single Obligor at Point of Purchase Test - % of Total Principal Portfolio Value was not satisfied immediately prior to such investment, such Maximum Single Obligor at Point of Purchase Test - % of Total Principal Portfolio Value shall not be made worse following such investment;

s) The Maximum Single Obligor at Point of Purchase Test - % of Adjusted Net Asset Value must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Single Obligor at Point of Purchase Test - % of Adjusted Net Asset Value was not satisfied immediately prior to such investment, such Maximum Single Obligor at Point of Purchase Test - % of Adjusted Net Asset Value shall not be made worse following such Investment;

t) The Maximum Synthetic Investments at Point of Purchase Test must be satisfied having giving effect to the Investment purchase, or to the extent that the Maximum Synthetic Investments Test at Point of Purchase Test was not satisfied immediately prior to such investment, such Maximum Synthetic Investments Test at Point of Purchase Test shall not be made worse following such investment;

Eligible Investment Types

At closing, the Issuer may purchase the following types of Cash Investments:

a) Structured Finance Securities (including Insurer Guaranteed Structured Finance Securities);

b) Cash Equivalents

Cash Equivalents

Shall comprise the following:

a) Any overnight investment in AAA/AAAm, AAA/F1 and Aaa/MR1+ rated money market

funds, subject to Rating Agency Approval;

b) Cash in any Eligible Currency, deposited in a bank with a rating of AAA and/or A-1+ by S&P;

c) Breakable Deposits;

d) Puttable Investments;

e) Money Market Funds;

f) Any investment in commercial paper, bank certificates of deposit, cash deposits that mature in less than 30 calendar days from an Issuer rated A-1+/ P-1/F1; or

g) Any other investment which, with Rating Agency Approval, may be treated as a Cash Equivalent

	Maximum
Maximum % of Investments with an Legal Final Maturity greater than 35 years (or greater than 45 years if the Investment is an RMBS or CDO of ABS Investment, unless the Investment's Key Country of Jurisdiction is Holland, where maximum Legal Final Maturity may be greater than 100 years)	5.0%

	Maximum
Maximum % of Investments with an Expected Final Maturity greater than 15 years but less than 20 years	5.0%

	Maximum
Maximum % of Investments with WAL greater than [12] years	5.0%

	Maximum
WAL of portfolio (in years)	7.0

Maximum Non-Public Rated Test Defines the maximum percentage of Total Principal Portfolio Value which is not publicly

rated by S&P.

S&P will permit a maximum of 10% of the Total Principal Portfolio Value to be notched or credit estimated. Notching is the same as per CDO of ABS.

Deemed Rating Category	Maximum Exposure Obligors
Overall	[4.0%]
AAA/Aaa/AAA	[4.0%]
AA /Aa/AA	[2.0%]
A / A	[0.5%]

Single Obligor Groups	Maximum Exposure Obligors
Largest Single Obligor Group Exposure	[100%]
Sum of two largest Single Obligor Group Exposures excluding AAA/Aaa/AAA Investments	[100%]
Sum of three largest Single Obligor Group Exposures excluding AAA/Aaa/AAA & AA/Aa/AA Investments	[100%]
Sum of five largest Single Obligor Group Exposures excluding AAA/Aaa/AAA, AA/Aa/AA & A/A/A Investments	[100%]

Ineligible Investments

Investments which, on each Business Day, fail to comply with the Investment Holding Criteria after a 5 Business Day cure period and which have a public rating of below BB-/Ba3/BB- for S&P/Moody's/Fitch respectively.

Ineligible Investments are fully capitalised for the purpose of calculating the Major and Minor Capital Adequacy Tests.

Operational Limits

The Operational Limits within the Portfolio Parameter Tests serve as a set of "soft" limits. Failure to comply with these tests shall act as an early warning to the Investment Manager and shall result in an increased Non-Operational Capital Charge.

Eligible Limits

The Eligible Limits within the Portfolio Parameter Tests serve as a set of "hard" limits. Failure to comply with these tests shall incentivise the Investment Manager to realign the Investment Portfolio through the application of an increased Eligible Capital Charge.

Non-Operational Capital Charge

The Non-Operational charge results in a higher Investment Capital Requirement by multiplying the Base Capital Requirement by a factor of 1.1.

Deemed Rating category	Minimum Eligible Limit	Minimum Operational Limit

AAA/Aaa/AAA	[40%]	[50%]
AA/Aa/AA to AAA/Aaa/AAA	[60%]	[75%]
A to AAA/Aaa/AAA	[80%]	[90%]
BBB/Baa/BBB to AAA/Aaa/AAA	[85%]	[95%]
BB/Ba/BB to AAA/Aaa/AAA	[90%]	[100%]

Sector Category	Max Eligible Limit	Max Operational Limit
Global CDOs	[40%]	[35%]
CLOs	[40%]	[35%]
Structured Finance CDOs	[30%]	[25%]
HY CBOs	[20%]	[17.5%]
Single Tranche CDO	[7.5%]	[5%]
Investment Grade Corporate Single Tranche CDO	[5%]	[4%]
Trust Preferred CDOs	[5%]	[4%]
Balance Sheet CDOs	[25%]	[22.5%]
SME CDOs	[25%]	[22.5%]
CRE CDOs	[5%]	[4%]
Other	[8%]	[6%]
CMBS	[50%]	[40%]
Single Property	[20%]	[17.5%]
Conduit	[30%]	[25%]
Large Loan	[40%]	[35%]
Credit Tenant Lease	[10%]	[8%]
Other	[8%]	[6%]
Consumer ABS	[60%]	[50%]
*Non-Sallie Mae Student Loans**	[40%]	[35%]
*Sallie Mae Student Loans**	[40%]	[35%]
Credit Cards	[30%]	[25%]
Charged off Cards (i.e. non performing)	[5%]	[4%]
Auto Loans	[30%]	[25%]
Auto Sub-Prime	[5%]	[4%]
Consumer Loans	[30%]	[25%]
Other	[5%]	[4%]
* Non-Sallie Mae Student Loans and Sallie Mae Student Loans combined are subject to an operational limit of 35% and an eligible limit of 40%		
Global RMBS	[75%]	[70%]
Prime RMBS	[50%]	[40%]
Home Equity Loans	[70%]	[65%]
HELOC	[20%]	[17.5%]
Non-Prime Non-US RMBS	[40%]	[35%]
Manufactured Housing	[5%]	[4%]
Other	[8%]	[6%]

Corporate ABS	[50%]	[40%]
Trade Receivables	[10%]	[8%]
Lease Backed	[10%]	[8%]
Aircraft Loans/Leases	[0%]	[0%]
Whole Business	[10%]	[8%]
Other	[8%]	[6%]
Other	[5%]	[4%]

Target Portfolio Composition

Category (€MM)	AAA	AA	A	Total
CDO	17.50%	2.50%	2.50%	22.50%
CMBS	6.50%	5.00%	2.50%	14.00%
HEL	25.00%	15.00%	10.00%	50.00%
RMBS	9.50%	2.00%	1.00%	12.50%
Credit Cards	1.00%	-	-	1.00%
Total	59.50%	24.50%	16.00%	100.00%

Target Portfolio Size **2,500,000,000 USD**

As of now, they have $1.783bn assets with the following HEL breakdown

Rhinebridge plc HEL portfolio breakdown

PRIME (FICO >= 680)

	2003	2004	2005	2006	2007
AAA	-	-	-	17.66%	4.20%
AA	-	-	1.31%	-	-
A	-	-	0.13%	-	-
Totals	**-**	**-**	**1.43%**	**17.66%**	**4.20%**

MIDPRIME (FICO >= 635<680))

	2003	2004	2005	2006	2007
AAA	-	-	-	3.76%	-
AA	-	-	2.01%	0.65%	-
A	-	-	0.36%	-	-
Totals	**-**	**-**	**2.37%**	**4.41%**	**-**

SUBPRIME (FICO < 635)

	2003	2004	2005	2006	2007
AAA	-	-	-	4.74%	-
AA	0.12%	0.28%	10.39%	3.05%	-
A	-	2.33%	4.54%	0.36%	-
Totals	**0.12%**	**2.61%**	**14.93%**	**8.16%**	**-**

* 2007 PRIME vintage includes USD 45m of wrapped

assets
* 2006 PRIME vintage includes USD 90m of wrapped
assets

Myself, Gordon Wright and Stephen Mccabe visited them on 19th March 2007 and discussed their views of the HEL market. First of all, we need to bear in mind that

- that this vehicle has specific HEL curves which is more severe than the one size fits all that we have in some matrix SIV
- we accept AAA HELs as LEAs..although they will run them using the old more conservative haircuts
- that we do have market value deals that are mono sectors, and
- that almost 60% of the US ABS market if not more is HEL anyway, so a SIV investing in ABS assets is bound to certain extent to buy HEL.
- If losses were to increase, we would have higher prepayments in the top part of the capital structure that would decrease duration, hence market value movements.

We went through their investment approach (specifically for HEL) and these are the main points:
- they very much start from research and economist view on housing market, inflation, consumer spending which they have both within Rhinebridge and IKB itself.
- select originators very carefully and none of the originators in trouble today are in their portfolios
- do their own stresses on HEL assets in terms of prepayment rates and delinquencies. These stresses are multiplied in case of signs of bad managers as well.
- they cannot buy the BBB tranches of any investment
- very cautios about vintage. Of the 'troubled' subprime 2006, they only have 0.36% of the portfolio at A. Nothing in the BBB area.
- Some single-As that have some vintage are now more like AAs or AAAs due to the high prepayments.
- Pool is very granular: 128 assets for average position of $7.9m

Key Country of Investment Category	Max Eligible Limit	Max Operational Limit
U.S.A	*[100%]*	*[100%]*
European	*[100%]*	*[100%]*
-Non-Defined Pan-European*	[25%]	[25%]
-Euro Cash	[25%]	[25%]
-France	[50%]	[50%]
-Germany	[50%]	[50%]
-Italy	[50%]	[50%]
-Spain	[50%]	[50%]
-UK	[50%]	[50%]
-Austria	[25%]	[25%]
-Belgium	[25%]	[25%]
-Denmark	[25%]	[25%]
-Finland	[25%]	[25%]
-Greece	[10%]	[10%]
-Ireland	[25%]	[25%]
-Luxembourg	[25%]	[25%]
-Netherlands	[25%]	[25%]
-Norway	[25%]	[25%]
-Portugal	[25%]	[25%]

-Sweden	[25%]	[25%]
-Switzerland	[25%]	[25%]
Rest of World	*[25%]*	*[25%]*
-Non-Defined Rest of the World	[25%]	[25%]
-Australia	[25%]	[25%]
-Canada	[25%]	[25%]
-Japan	[25%]	[25%]
-New Zealand	[10%]	[10%]
-Singapore	[10%]	[10%]
-Hong Kong	[10%]	[10%]
-Korea	[10%]	[10%]
*Including only countries which are listed under *European*		

Category	Eligible Limit	Operational Limit
USD (Minimum)	[75%]	[75%]
EUR (Maximum)	[25%]	[25%]
GBP (Maximum)	[25%]	[25%]
Other (Maximum)	[25%]	[15%]

Eligible Currency

Shall mean one of the following currencies: U.S. Dollars, Australian Dollars, Canadian Dollars, Danish Krone, Euros, Hong Kong Dollars, Japanese Yen, New Zealand Dollars, Norwegian Krone, Pounds Sterling, Singapore Dollars, Swedish Krone, Swiss Francs or any such other currency, subject to Rating Agency Confirmation, from time to time.

	Maximum Exposure	
Hedge Counterparty Deemed Rating	Max Eligible Limit	Max Operational Limit
AAA/Aaa/AAA	[4.0%]	[4.0%]
AA/Aa/AA	[4.0%]	[4.0%]
A/A/A	[4.0%]	[2.0%]
BBB/Baa/BBB	[2.0%]	[0.5%]
BB/Ba/BB	[0.5%]	[0.0%]

V. Market Sensitivity Tests

Market Sensitivity Tests	The Market Sensitivity Tests shall include: a) Interest Rate Exposure Compliance Tests: i) Parallel Yield Curve Test ii) Stressed Parallel Yield Curve Test iii) Point Yield Curve Test iv) Stressed Point Yield Curve Test b) Currency Exposure Compliance Tests: i) Spot Foreign Exchange Test ii) Stressed Spot Foreign Exchange Test **ALL AS PER CRITERIA**
Violation of Market Sensitivity Tests	In the event of non-compliance with an Interest Rate Exposure Compliance Test and/or a Currency Exposure Compliance Test, the Investment Manager shall use all reasonable efforts and take such steps as will result in compliance within five Business Days, and during that period be in Restricted Investments. If the [Investment Manager/Administrator] is unable to remedy the situation within five Business Days, Restricted Funding will be initiated. Restricted Funding may be reversed if the breach of the Market Sensitivity Test is rectified, however the vehicle shall only be permitted to return to Normal Operations from Restricted Funding (which was caused by a breach of a Market Sensitivity Test) once every 10 years.

VI. Liquidity Features

Available Liquidity	In each Liquidity Test, the Available Liquidity is the sum of the forms of liquidity which are listed as being acceptable for consideration (e.g. given credit) in that test.
Liquidity Tests	The Liquidity Tests shall comprise the following tests: a) 1-Day Liquidity Test (i.e. NCO1) b) 5-Day Liquidity Test (i.e. NCO5) c) 10-Day Liquidity Test (i.e. NCO10) d) 15-Day Liquidity Test (i.e. NCO15)
1-Day Liquidity Test	1-Day Available Liquidity shall be the sum of: a) Cash in hand b) Committed Liquidity Value c) Full notional of Breakable Deposits, excluding breakage costs d) Full notional of Money Market Funds e) Full notional of Puttable Investments f) Liquidity Eligible Committed Repo
5-Day Liquidity Test	5-Day Available Liquidity shall be the sum of: a) Cash in hand b) Committed Liquidity Value c) Full notional of Breakable Deposits, excluding breakage costs d) Full notional of Money Market Funds e) Full notional of Puttable Investments f) Liquidity Eligible Committed Repo

10-Day Liquidity Test	10-Day shall be the sum of: a) Cash in hand b) Committed Liquidity Value c) Full notional of Breakable Deposits, excluding breakage costs d) Full notional of Money Market Funds e) Full notional of Puttable Investments f) Liquidity Eligible Committed Repo g) Haircut Market Value of all Liquidity Eligible Investments
15-Day Liquidity Test	15-Day Available Liquidity shall be the sum of: a) Cash in hand b) Committed Liquidity Value c) Full notional of Breakable Deposits, excluding breakage costs d) Full notional of Money Market Funds e) Full notional of Puttable Investments f) Liquidity Eligible Committed Repo g) Haircut Market Value of all Liquidity Eligible Investments
Liquidity Providers	No one Liquidity Provider may comprise more than 50% of total Available Liquidity (excluding the Haircut Market Value of LEIs).
Rating of Committed Liquidity Providers	Level 1 Committed Liquidity Providers (which provide the Level 1 Committed Liquidity Value) must have a minimum short-term rating of A-1+/P-1/F1. Level 2 Committed Liquidity Providers (which provide the Level 2 Committed Liquidity Value) must have a minimum short-term rating of A-1/P-1/F1. Uncovered Level 2 Committed Liquidity Providers (which provide the Covered Level 2 Committed Liquidity Value) must also have a long-term rating of at least A+. If a Liquidity Provider is downgraded below A-1+/P-1/F1, but retains an A-1/P-1/F1 rating the Level 1 Liquidity Facility becomes a Level 2 Liquidity Facility after 30 calendar days. If a Liquidity Provider is downgraded below A-1/P-1/F1, the facility becomes ineligible for purposes of meeting the liquidity requirement after 30 calendar days. For the avoidance of doubt, subject to the restrictions explained below, the presence of Level 2 Liquidity Providers will not affect the A-1+/P-1/F1 rating of the Senior Debt Obligations.

VII. Operating States

Operating States	The various Operating States are: a) Normal Operations; b) Restricted Investments; c) Restricted Funding; and d) Enforcement.
Normal Operations	The Issuer shall be in Normal Operations prior to a: a) Restricted Investments Event; b) Restricted Funding Event; or c) Enforcement Event. However, the Issuer may re-enter Normal Operations after a Restricted Investments Event or re-enter Restricted Investments or Normal Operations after a Restricted Funding Event, if the conditions that caused the Restricted Investments Event or the Restricted Funding Events are remedied subject to further conditions described below (subject to certain Rating Agency conditions).
Restricted Investments Limitations	During Restricted Investments, the Issuer shall not be permitted to: a) Purchase new Investments unless (i) such purchase is an Investment Switch, or (ii) the Issuer had committed to purchase such Investment(s) whilst in Normal Operations and prior to the occurrence of the relevant Restricted Investments Event, or (iii) upon obtaining Rating Agency Confirmation b) Enter into new Investment Derivatives unless (i) such purchase is an Investment Switch or (ii) the Issuer had committed to enter into such Investment Derivatives whilst in Normal Operations and prior to the occurrence of the relevant Restricted Investments Event. c) Redeem any of the Capital Notes except: (i) if the non-redemption of a particular Capital Note would otherwise cause a Enforcement Event; (ii) if, after such redemption, the only cause of the Issuer being in Restricted Investments would be a failure to redeem an outstanding Capital Note by its Expected Maturity Date and/or a failure of the Capital Note Maturity Test; (iii) if the Issuer would return to Normal Operations after such redemption; (iv) all outstanding Senior Ranking Obligations have been paid and/or provisioned for in full subject to certain conditions in the Terms and Conditions of the Capital Notes (see Appendix B for further details); d) Redeem any capital notes under redemption at the option of the noteholder, redemption at the option of the Issuer or purchase any capital notes;

e) Pay the Variable Margin on any Capital Notes;

f) Pay any Mezzanine Capital Notes Subordinated Payments until all outstanding Senior Ranking Obligations have been paid and/or provisioned for in full (subject to certain conditions as outlined in the Terms and Conditions of the Capital Notes);

g) Pay any Junior Capital Notes Subordinated Payments until all outstanding Senior Ranking Obligations have been paid and/or provisioned for in full;

h) Pay any Incentive Fee amounts to the Investment Manager.

Restricted Investments Events	Failure to comply with any of the following events shall constitute a Restricted Investments Event and will cause the Issuer to enter Restricted Investments: a) A Minor Capital Test remaining unremedied after 5 business days; b) The Minimum Weighted Average Life of Senior Funding Test remaining unremedied after 5 business day; c) Failure of the Market Sensitivity Tests or Liquidity Tests during the 5-day cure period for such tests; or d) Failure to redeem Capital Notes by the Expected Maturity Dates after 5 business days.
Restricted Funding	In the event of the occurrence of any of the Restricted Funding Events, Restricted Funding shall be initiated. In such case, the Investment Manager may liquidate, as necessary, the Investment Portfolio in order to sequentially pay down the Secured Obligations as. In addition, while in Restricted Funding, the manager may draw down all undrawn liquidity (to the extent deemed appropriate), extend liquidity notes (CP with extendable maturity date), sell defaulted Investments and terminate Hedge Agreements or Investment Derivative Contracts

Restricted Funding Limitations	During Restricted Funding, the Issuer shall be subject to the same restrictions as during Restricted Investments. In addition, the Issuer shall not be permitted to: a) Issue new Senior Debt Obligations or enter into new Repo Funding Transactions and Securities Lending Agreements except to fund purchases which Issuer had committed to purchase whilst in Normal Operations or Restricted Investments and prior to the occurrence of the relevant Restricted Funding Event. b) Purchase new Investments and Investment Derivatives (except Risk-Free Investments or any other Investments subject to Rating Agency Confirmation for the purposes of improving investment returns on available cash until outstanding Capital Senior Obligations can be redeemed), provided that this restriction on purchase of new Investments and Investment Derivatives shall not apply in the event that the Issuer had committed to purchase such Investment(s) and Investment Derivatives whilst in Normal Operations or Restricted Investments and prior to the occurrence of the relevant Restricted Funding Event. c) Pay interest on the Capital Notes until all outstanding Senior Ranking Obligations have been paid and/or provisioned for in full; d) Redeem any Capital Notes until all outstanding Senior Ranking Obligations have been paid and/or provisioned for in full; e) Pay any Mezzanine Capital Notes Subordinated Payments until all outstanding Senior Ranking Obligations have been paid and/or provisioned for in full.
Restricted Funding Event	Failure to comply with of any of the following events shall constitute a Restricted Funding Event and will cause the Issuer to enter Restricted Funding: a) A Major Capital Test remaining unremedied after 5 business days (except the Major Capital Loss Limit Test, failure of which shall immediately constitute a Restricted Funding Event and if unremedied for 5 business days will constitute an Enforcement Event); b) A Market Sensitivity Test remaining unremedied after 5 business days; or c) A Liquidity Test remaining unremedied after 5 business days.
Return to Normal Operations from Restricted Funding	Once the conditions that caused the Restricted Funding Event are remedied, and all other Restricted Funding Events that may have occurred since the initial Restricted Funding Event are also remedied, the Issuer shall return to Restricted Investments or Normal Operations (as appropriate). If the conditions that caused the Restricted Funding Event were caused by breach of a Market Sensitivity Test and/or a Liquidity Test, the Issuer shall only be permitted to return to Normal Operations once within any [10] year period. In the event of a second breach of a Market Sensitivity Test and/or Liquidity Test within [10] years of the first breach, the Issuer remain in Restricted Funding or Enforcement.

Enforcement Limitations

The Enforcement Limitations shall be the same as the Restricted Funding Limitations. Upon an Enforcement Event, the security constituted by the Security Trust Deed shall become immediately enforceable, notwithstanding that none of the secured obligations of the Issuer are then due and payable. Post Enforcement, the Security Trustee or the Defeasance Manager (acting as an agent of and following the instructions of the Security Trustee) shall manage the security assets and the business of the Issuer with the objective of arranging a timely payment of the Issuer's obligations in accordance with the Payment Priority in Enforcement and in compliance with the Enforcement limitations (provided that such compliance, in the opinion of the Security Trustee, does not adversely affect the interest of the Secured Creditors).

DEFEASANCE MANAGER DISCUSSION

As of today, the defeasance manager is IKG, i.e. the investment manager. Although it is common knowledge that upon enforcement, the 'keys' are handed to the security trustee, who can afterwards decide to reappoint the investment manager, their argument to keep their proposal is as follows (as they put it):

"We believe that the Enforcement Manager's role following the Enforcement Date represents a material advantage over existing structures. The period immediately following the Enforcement date can be the most critical for the structure as inertia or inaction on the part of the Security Trustee can potentially lead to increased losses to the portfolio.

It is for this reason that we believe that the Enforcement Manager being mandated to immediately implement the Enforcement Procedures is a substantial advantage. Any objection that the Manager should not act as Enforcement Manager (as its actions may be deemed to be the cause of the vehicle entering into enforcement) are strongly mitigated by the fact that (i) Manager is subject to termination in the event of a material breach of its duties under the Management Agreement and (ii) the Manager's actions as Enforcement Manager are not to exercise discretionary investment authority (as in the pre-enforcement phase) but rather it is constrained to follow the Enforcement Procedures, which are designated to minimise losses to the Portfolio and are detailed.

The key additional stipulations are (i) the Enforcement Manager is acting on behalf of and is agent of the Security Trustee (rather than the Issuer, as in other SIVs) and (ii) the Security Trustee has the power to terminate the Enforcement Manager without cause at any time. These two factors afford the Security Trustee greater control following enforcement."

What they say makes sense and they might have a point on the inactivity of the trustee as well as on the fact that the manager acts as agent and on behalf of trustee and it must follow precise enforcement guidelines at the end of the day....so its discretionality is practically non existing. But, it is different that other SIVs.

I am not particularly fussed about this because at the end of the day enforcement procedures will be followed and if the Security Trustee thinks that the manager is doing a bad job it can always get rid of it.

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Enforcement Event	Failure to comply with of any of the following events shall constitute a Enforcement Event and will cause the Issuer to enter Enforcement: a) The occurrence of Mandatory Acceleration Event b) The Major Capital Loss Limit Test remaining unremedied after 5 business days c) A Senior Note Event of Default d) The cancellation of a Commitment under any Liquidity Facility or any Committed Repo Facility following the occurrence of a Liquidity Event of Default e) A Hedge Contract Event of Default
Senior Note Event of Default	Failure to pay interest or principal on the Senior Debt Obligations after 5 business days cure period
Liquidity Event of Default	Means: a) with respect to any Liquidity Facility Agreement, has the meaning ascribed thereto in the relevant Liquidity Facility Agreement; or b) with respect to any Committed Repo Agreement, has the meaning ascribed thereto in the relevant Committed Repo Agreement.
Hedge Contract Event of Default	The termination of any Hedge Agreement or Investment Derivative Contract as a consequence of a Hedge Contract Event of Default as defined in the relevant Hedge Contract.
Inability to Return to Normal Operations	Once the Issuer has entered Enforcement, it cannot return to Normal Operations.
Management during Enforcement	The Security Trustee will enforce its rights to the Collateral following the occurrence of an Enforcement Event. The Security Trustee shall thereafter manage the Issuer's business. It may retain the Investment Manager or appoint additional or replacement financial advisors to act as Defeasance Manger.
Ramp-Up Period	Shall last from the Closing Date during Normal Operations until the earlier of the following: a) The date six months following the Closing Date; or b) The occurrence of an Enforcement Event, Restricted Funding Event or Restricted Investments Event.

S&P Base Capital Requirements for Cash Investments

CDOs

Deemed Rating	1	2	3	4	5	6	7	8	9	10
	Years									
AAA	3.49	3.98	4.63	5.23	5.89	6.65	7.32	8.07	8.82	9.57
AA+	3.58	4.16	4.91	5.61	6.36	7.21	7.97	8.80	9.62	10.44
AA	3.67	4.34	5.19	5.98	6.83	7.77	8.62	9.53	10.42	11.30
AA-	3.87	4.80	5.92	7.00	8.11	9.32	10.44	11.59	12.71	13.78
A+	4.07	5.26	6.66	8.02	9.38	10.87	12.26	13.64	14.99	16.26
A	4.27	5.73	7.39	9.04	10.66	12.42	14.08	15.70	17.27	18.74
A-	4.62	6.35	8.29	10.17	11.96	13.88	15.63	17.31	18.89	20.35
BBB+	4.97	6.98	9.19	11.30	13.27	15.33	17.18	18.92	20.51	21.95
BBB	5.33	7.61	10.08	12.42	14.57	16.78	18.73	20.52	22.13	23.55
BBB-	10.66	13.34	16.14	18.71	20.97	23.22	25.11	26.81	28.27	29.49
BB+	15.99	19.06	22.20	24.99	27.37	29.65	31.49	33.09	34.40	35.44
BB	21.32	24.79	28.26	31.28	33.76	36.08	37.88	39.38	40.53	41.38
BB-	26.66	30.51	34.32	37.56	40.16	42.52	44.26	45.66	46.67	47.33
< BB-	100	100	100	100	100	100	100	100	100	100

CMBS

Deemed Rating	1	2	3	4	5	6	7	8	9	10
	Years									
AAA	3.18	3.66	4.19	4.77	5.42	5.96	6.72	7.46	8.20	8.96
AA+	3.29	3.92	4.60	5.34	6.14	6.84	7.77	8.66	9.56	10.46
AA	3.41	4.17	5.01	5.91	6.86	7.72	8.82	9.86	10.91	11.95
AA-	3.55	4.46	5.46	6.52	7.61	8.62	9.86	11.04	12.21	13.37
A+	3.69	4.75	5.90	7.12	8.35	9.52	10.91	12.22	13.52	14.79
A	3.84	5.04	6.35	7.72	9.10	10.42	11.96	13.40	14.83	16.22
A-	4.10	5.43	6.85	8.33	9.80	11.20	12.80	14.29	15.74	17.13
BBB+	4.36	5.81	7.35	8.94	10.49	11.98	13.64	15.17	16.65	18.05
BBB	4.63	6.19	7.84	9.55	11.19	12.76	14.48	16.06	17.56	18.96
BBB-	10.74	11.92	14.51	16.42	18.21	19.89	21.67	23.27	24.74	26.09
BB+	16.86	17.66	21.18	23.30	25.23	27.02	28.86	30.48	31.93	33.22
BB	22.98	23.40	27.85	30.17	32.26	34.16	36.05	37.69	39.12	40.34
BB-	29.10	29.14	34.51	37.05	39.28	41.29	43.24	44.90	46.31	47.47
< BB-	100	100	100	100	100	100	100	100	100	100

Credit Cards

Deemed Rating	1	2	3	4	5	6	7	8	9	10
	Years									
AAA	1.50	1.73	1.99	2.26	2.48	2.78	2.99	3.31	3.64	3.98
AA+	1.57	1.84	2.15	2.47	2.78	3.18	3.50	3.89	4.28	4.69
AA	1.63	1.95	2.31	2.68	3.08	3.57	4.01	4.46	4.92	5.39
AA-	1.71	2.05	2.44	2.83	3.27	3.79	4.26	4.74	5.23	5.72

A+	1.79	2.15	2.57	2.99	3.46	4.01	4.51	5.02	5.53	6.05
A	1.87	2.26	2.70	3.15	3.64	4.23	4.76	5.29	5.84	6.39
A-	2.12	2.61	3.16	3.74	4.38	5.03	5.61	6.23	6.86	7.49
BBB+	2.37	2.96	3.62	4.34	5.11	5.83	6.46	7.18	7.89	8.60
BBB	2.63	3.31	4.08	4.93	5.85	6.63	7.31	8.12	8.92	9.71
BBB-	8.37	9.17	10.06	11.03	12.08	12.95	13.70	14.59	15.45	16.30
BB+	14.12	15.03	16.03	17.14	18.31	19.27	20.10	21.06	21.99	22.89
BB	19.87	20.89	22.01	23.24	24.55	25.59	26.49	27.53	28.52	29.48
BB-	25.62	26.75	27.98	29.35	30.78	31.92	32.89	34.00	35.06	36.07
<BB-	100	100	100	100	100	100	100	100	100	100

Auto Loans

	Years									
Deemed Rating	1	2	3	4	5	6	7	8	9	10
AAA	1.60	2.01	2.46	2.95	3.42	3.96	4.42	4.97	5.53	6.10
AA+	1.67	2.14	2.66	3.22	3.75	4.36	4.89	5.50	6.12	6.76
AA	1.74	2.27	2.86	3.48	4.08	4.76	5.36	6.03	6.72	7.41
AA-	1.86	2.48	3.18	3.91	4.61	5.40	6.12	6.91	7.71	8.51
A+	1.97	2.70	3.49	4.34	5.14	6.05	6.89	7.79	8.69	9.60
A	2.09	2.91	3.81	4.77	5.68	6.70	7.65	8.66	9.68	10.69
A-	2.34	3.27	4.28	5.35	6.35	7.47	8.51	9.59	10.67	11.73
BBB+	2.60	3.64	4.76	5.93	7.03	8.24	9.37	10.52	11.66	12.77
BBB	2.86	4.01	5.24	6.52	7.71	9.02	10.22	11.45	12.65	13.80
BBB-	8.66	10.02	11.45	12.91	14.24	15.67	16.98	18.28	19.52	20.70
BB+	14.46	16.03	17.67	19.30	20.77	22.33	23.73	25.11	26.39	27.59
BB	20.26	22.05	23.88	25.69	27.30	28.99	30.49	31.93	33.27	34.48
BB-	26.07	28.06	30.09	32.08	33.83	35.64	37.24	38.76	40.14	41.38
<BB-	100	100	100	100	100	100	100	100	100	100

RMBS

	Years									
Deemed Rating	1	2	3	4	5	6	7	8	9	10
AAA	1.74	2.03	2.26	2.62	2.97	3.26	3.68	4.09	4.50	4.92
AA+	1.80	2.14	2.41	2.82	3.21	3.56	4.02	4.47	4.93	5.40
AA	1.86	2.24	2.57	3.02	3.46	3.85	4.37	4.86	5.37	5.87
AA-	1.97	2.42	2.82	3.36	3.88	4.36	4.97	5.55	6.14	6.73
A+	2.07	2.59	3.07	3.70	4.29	4.87	5.57	6.24	6.91	7.59
A	2.18	2.77	3.32	4.03	4.71	5.38	6.17	6.93	7.69	8.45
A-	2.41	3.08	3.72	4.50	5.24	5.96	6.81	7.60	8.39	9.17
BBB+	2.65	3.40	4.11	4.96	5.77	6.55	7.44	8.28	9.10	9.90
BBB	2.89	3.71	4.50	5.43	6.29	7.14	8.08	8.95	9.81	10.62
BBB-	9.59	10.55	11.46	12.49	13.42	14.32	15.26	16.12	16.97	17.76
BB+	16.29	17.38	18.43	19.55	20.56	21.51	22.45	23.29	24.13	24.90
BB	22.99	24.22	25.39	26.62	27.69	28.70	29.63	30.46	31.29	32.04
BB-	29.69	31.06	32.35	33.68	34.82	35.89	36.82	37.62	38.46	39.18
<BB-	100	100	100	100	100	100	100	100	100	100

Student Loans

	Years									
Deemed Rating	1	2	3	4	5	6	7	8	9	10
AAA	1.53	1.81	2.09	2.37	2.65	2.91	3.07	3.38	3.71	4.04
AA+	2.00	2.42	2.83	3.30	3.76	4.21	4.61	5.08	5.60	6.13
AA	2.46	3.04	3.57	4.24	4.88	5.50	6.15	6.77	7.50	8.23
AA-	2.58	3.26	3.90	4.69	5.45	6.19	6.97	7.70	8.55	9.39
A+	2.70	3.48	4.24	5.15	6.01	6.89	7.78	8.64	9.60	10.55
A	2.82	3.71	4.57	5.60	6.58	7.58	8.60	9.57	10.64	11.71
A-	3.08	4.08	5.07	6.21	7.28	8.37	9.47	10.50	11.62	12.71
BBB+	3.34	4.46	5.56	6.81	7.98	9.15	10.33	11.43	12.59	13.72
BBB	3.60	4.84	6.05	7.41	8.67	9.94	11.20	12.35	13.57	14.73
BBB-	9.51	10.96	12.39	13.92	15.31	16.68	18.01	19.21	20.44	21.58
BB+	15.42	17.09	18.72	20.42	21.94	23.42	24.82	26.07	27.31	28.44
BB	21.33	23.22	25.05	26.93	28.57	30.16	31.63	32.93	34.18	35.30
BB-	27.24	29.35	31.39	33.44	35.20	36.90	38.45	39.78	41.06	42.15
<BB-	100	100	100	100	100	100	100	100	100	100

HELs	Years									
Deemed Rating	1	2	3	4	5	6	7	8	9	10
AAA	2.32	2.77	3.16	3.70	4.22	4.71	5.23	5.72	6.32	6.92
AA+	2.39	2.91	3.36	3.97	4.55	5.10	5.67	6.22	6.86	7.51
AA	2.47	3.05	3.56	4.24	4.88	5.49	6.12	6.71	7.41	8.09
AA-	2.59	3.29	3.91	4.71	5.47	6.21	6.96	7.67	8.46	9.24
A+	2.72	3.52	4.26	5.18	6.06	6.93	7.80	8.62	9.52	10.39
A	2.84	3.76	4.60	5.66	6.65	7.64	8.64	9.57	10.57	11.54
A-	3.10	4.12	5.07	6.20	7.25	8.28	9.28	10.20	11.16	12.07
BBB+	3.36	4.48	5.53	6.74	7.84	8.91	9.92	10.82	11.75	12.60
BBB	3.63	4.85	5.99	7.29	8.44	9.54	10.56	11.45	12.34	13.13
BBB-	9.52	10.90	12.20	13.55	14.72	15.78	16.72	17.51	18.28	18.92
BB+	15.42	16.96	18.40	19.82	20.99	22.02	22.88	23.58	24.22	24.72
BB	21.32	23.02	24.60	26.09	27.27	28.27	29.04	29.64	30.16	30.51
BB-	27.22	29.07	30.80	32.36	33.55	34.51	35.20	35.71	36.10	36.31
<BB-	100	100	100	100	100	100	100	100	100	100

APPENDIX I

PRELIMINARY DISCUSSION
RATING CAPITAL NOTES HIGHER THAN SINGLE-A

Date: 13-Feb-07
Attendees: LG, PI, KVA, CP, SMc, NK

BACKGROUND

Morgan Stanley is teaming up with IKB Deutsche Industriebank, the manager, to set up RhineBridge PLC, a new SIV. This SIV will be very close in terms of assets and strategy to Cheyne SIV, the other Morgan Stanley arranged SIV, closed in Aug. 2005. Like

Cheyne SIV, the senior notes will be rated with a capital charge matrix, whereas the model for capital notes is based on a simulation model.

The main difference is that while Cheyne has a three tier capital structure (Senior notes (AAA/A-1+); Mezz capital notes (A), and Juniot capital notes (NR)), RhineBridge wants to have senior capital notes rated AAA junior to the senior notes and senior to the mezzanine capital notes.

The AAA rating will speak to ultimate interest and principal. They are aware that we might need to call them "Deferrable" as we would do in other SF areas.

A very rough estimate of the capital structure is as follows

AAA/A-1+ MTNs/CPs = 91%
AAA cap notes = 3.5%
A cap notes = 4.5%
NR Income notes = 1%
Leverage to Senior Notes = 10.11
Leverage to AAA cap notes = 17.18

As a comparison, Cheyne SIV (at almost 9.6bn of assets) is

AAA/A-1+ MTNs/CPs = 93%
A cap notes = 6%
NR Income notes = 1%
Leverage to Senior Notes = 13.28

We have seen the model and commented upon that. Stephen can give more colour but this committee is to focus on the feasibility.

STATUS QUO IN SIVs AND SOME CONSIDERATIONS
- Up to now, we have a qualitative cap for capital note rating in SIV at A-flat.

- From a pure quantitative/modeling point of view, we all know that capital notes (expecially the ones with a first loss piece underneath) can easily be rated above A-flat. Looking at the tranching above, you can clearly see that almost half of the RhineBridge AAA cap notes could be rated AAA (as Cheyne, which is not among the most levered SIVs, has 93% of Senior notes). However, RhineBridge has 91% of AAA/A-1+ senior notes. In other words, these are like Junior senior notes, hence with lower stability.

- If I am not mistaken, 3 years ago we could have rated Sigma notes at AA level from the model, but we decided not to. Those were not first loss piece as there was a trapping mechanism. RhineBridge will have "true" subordination from the mezzanine and the income notes.

- It is also true that we (and the most experienced managers) want to see capital note ratings very stable. Since we insist on this for A rated capital notes, we should be even more worried about that for a AAA rating and require a "rating volatility" buffer, which up to now has been on a voluntary basis, among other things

We have seen the model and commented upon that. Stephen can give more colour but we

PRELIMINARY THOUGHTS

- One reason why we cap the rating of capital notes at A is the presence of other 'soft' defeasance events and assumptions of the management behaviour (like the fact that the pool will stay the same for the life of the vehicle) for loss in no defeasance. Now, this is not even an experienced SIV manager.

- My starting point is that to give a AAA rating to capital notes, these notes should pass the same tests for the senior notes (also the obligor limits compared to NAV, to cover from idionsicratic risk). If they could pass AAA tests, then we should not even worry about operational/management risk/soft issues, as we would assume defeasance occurs today, as we do for senior notes. If not, we have to discuss the operational risk issue as above.

- we have to think about the market reaction and whether we want to be doing this with a new manager.

- are we against subordinated paper being rated AAA from a rating policy point of view?

PREVIOUS COMMENTS FROM EMAILS

Q: They can model defeasance and remain at the end of defeasance with the capital notes' notional and their acrrued interest?
A: Let's assume they can.

Q: In defeasance , they do not pay coupon and rating will address deferred and ultimate coupon and principal?
A: Yes, we go with the assumption that ANY capital notes cannot receive anything in defeasance, hence if they have a long MTN, they will have to wait for it to be paid. At the end of the day, let's not forget the capital structure compared to Cheyne above.

From Nik

The note is very helpful. I just cancelled a Paribas lunch so I will be able to make at least part of it. I am forwarding to the core NY team. NY SIV criteria team are Halprin (AM); Kitto; Cho; Wolf (leads) with Neilson and Lam (back ups).

I thank you for the subjective criteria references because that's what I would have asked - can you clip the Cheyne Operating Manual and forward that.

(1) I specifically am interested in this call in your point - concentration guidelines married to the AAA limitations.

(2) Cheyne was a while ago for me so please forgive me or team if there are questions.

(3) Clarification: I believe we have not precluded AAA as subordinated rating available - CDPCs for example.

But we have precluded in liquidation structures. Irrespective of "defeasance" methodology, we have said that AAA and AA require the AAA methodology (Cristina says it far better than I could).

(4) your comments on us also needing to chat about what makes sense is appreciated and I actually think your manager comments are important. Whilst the vote on Sigma was passionate, my reason in fact was Gordian are a manager that violated guidelines and then ignored the guidelines (back a few years). My position on the prior vote was in fact strongly influenced by the fact that while I could rationalize not joining ratings agency competitors in using ratings as a commentary on discussions, I could not rationalize awarding a AAA or AA subordinated note rating to management that had in fact violated giudelines and then blamed it on our so-called poor corporate ratings acumen. That's not AAA or AA (to me). I say this only to highlight that while the model was part of the discussion, the "ban" on higher than "A" for me was in part tied to that management issue. I cannot say how a new manager will treat the guidelines. We hope for and expect the best but can be surprised by ongoing observation.

I look forward to today's discussion

COMMITTEE FEEDBACK:

For whatever rating above single-A, we must assume defeasance on day one. Hence if a note (although subordinated) can pass ALL AAA tests and the vehicle goes into defeasance/restricted funding if capital tests does not cover all AAAs (whatever their subordination), we can give AAA.

TAB 2

From: Kimball, Andrew
Sent: Saturday, February 23, 2008 10:37 PM
To: McDaniel, Raymond; Clarkson, Brian
Subject: Internal Discussion Document

Ray & Brian,

This brief very rough memo intends to put more or less everything that came to me top of mind out on the table for discussion as to what we mean by triple-A. These (and more that others may contribute) are questions we need to ask ourselves and answer, as we set about creating a conceptual framework for the meaning of triple-A. Some of the points here would be amended or eliminated. Many more might be re-cast as being unacceptable for a triple-A when present in the extreme but acceptable in moderation.

If the entire approach appears distractive or not productive, please indicate and point me in a different direction.

Thanks.

Triple-A.doc

PLAINTIFF'S EXHIBIT
689 ID
EM 11-1-11

The Desired Meaning of Triple-A

23 February 2008

A. When Triple-A's Don't Behave

Entire sectors of structured finance ratings have been severely downgraded from triple-A over the past nine months, including US non-prime RMBS, SFG CDOs; CPDOs, and SIVs. Despite strong prior performance for some of these sectors, the magnitude of these downgrades calls into question our ability to assess risk to the triple-A level of certainty in these transactions.

We are incrementally adjusting our models, methodologies, and assumptions to accommodate the current stressed environment. But are parameter adjustments enough?

In addition, we are questioning the adequacy of a triple-A definition too narrowly focused on expected loss to the near exclusion of considerations of rating stability.

B. The Intended Meaning of Ratings

Moody's long-term debt ratings rank predicted future creditworthiness ordinally, across industry sectors and geographies. They are relative rankings of credit risk. In addition, over time they have become associated with approximate levels of expected loss. At one time a global Aaa rating was thought of as having a one in ten thousand probability of default and a Aa rating as having a one in one thousand probability of default, and so on. To what time horizon that probability attached was never clear. Such rough quantifications of default probability were largely displaced by the publication in 1989 of Moody's first analysis of actual historical default rates, between 1970 and 1988, calculated by rating category and for specified time horizons. This research has since been extended back to 1920 and updated annually and is widely used by market participants to associate rating levels with expected future credit loss based on historical distributions. The study reported that in fact credits rated Aaa historically have defaulted about one time in ten thousand over a four-year time horizon.

Although historical default and loss experience can be used as one approximation of what Moody's ratings meant during the time period studied, expected loss rates are not a complete description of what Moody's means by its ratings and are not the intended targets except in the very roughest sense certainly of the analysts or rating committees for fundamental credits. Rather it is their primary intention to rank credits with consistency within and across industries, typically by implicit comparison to past ratings and reference to standard statistical ratios. Over time, the loss distribution associated with a consistently-applied rating level becomes evident empirically.

In contrast to company ratings, Moody's ratings of structured securitizations often use an expected credit loss number as the explicit and determinative meaning. This practice reflects the greater susceptibility of pools of underlying assets in such transactions to statistical analysis and quantification or, conversely, the greater difficulty in estimating credit risk by more subjective and experience-based measures. The structured finance mapping to expected loss is based on an idealized version of historical default experience for Moody's rated debt.

Moody's intends its ratings, both structured and fundamental, to accurately reflect relative credit risk. It also intends its ratings—both structured and fundamental—to indicate levels of expected loss that are roughly consistent across sectors and geographies and that have some stability over time. However, default experience for different sectors will rarely be identical for each time horizon or historical period, as market and macroeconomic factors play out differently across sectors and regions.

Notwithstanding the often substantial variation in default and loss rates from year to year, market participants, regulators, and the rating agencies themselves continue to find ratings useful approximations of expected credit loss, usually by mapping each rating category against its historical performance, with allowances for short-term variability. This quantification is widely used in sizing capital reserves against potential credit losses at financial institutions, evaluating overcollateralization levels for asset securitizations, establishing regulatory— or sponsor-driven investment hurdles, and so on.

Ratings Distribution. The distribution of credits across the twenty-one rating categories comprising Moody's scale changes over time due to shifting market appetite and changes in the economy or an industry. Thus the explosion of structured finance transactions in the last twenty years has greatly swollen the proportion of Aaa and Aa ratings. Market appetite in the United States for speculative grade new issue credits has also changed the distribution on the low end of the scale.

C. The Historical Record

Until now, loss rates in SF (particularly for Aaa's) were low & comparable to corporates (except Baa loss rates were higher).

Secular trends toward larger SF portfolios & tighter SF spreads suggest investor demand for SF securities was rising. Flight-to-quality actually ran from corporate to structured in 2002

Over 60,000 Aaa SF securities were issued since 1993 (compared to about 100 corporate Aaa issuers), yet only 45 Aaa tranches, from 30 deals, involving just 7 originators were ever impaired.

- LGD rates were generally small & large impairments were fraud
- Impaired Aaa's involved subprime RMBS, franchise loans, MH ABS, healthcare receivables, retail store credit cards, equipment lease ABS
- Originators were weakly capitalized specialty finance companies

D. Desired Attributes of Triple-A Ratings

EXPECTED LOSS

1) A triple-A should survive a reasonably stressful environment with rating intact. It should survive the equivalent of the US Great Depression, undoubtedly with downgrades but with no loss to Aaa holders.

2) Statistically, an investor holding a portfolio of 50,000 triple-A companies for four years should experience 1 default.

3) Event risk is limited to the extreme and unforeseeable (e.g. the decision by Texaco to file for bankruptcy protection in order to avoid a bizarre jury decision).

EXPECTED LOSS NOTES

- *General Electric*. Market share, diversification of business lines, management strength & depth make a default implausible.
- Muni.
- US prime mortgage-backed security
- Credit Suisse
- No telecommunications or IT companies (e.g. Amazon) – regardless of balance sheet or cash flow strengths -- given the rapid pace of product and market transformation.

TRANSITION RISK

There is an expectation of stability to a triple-A rating. Some uses of ratings assume a very low rating transition risk for highly-rated risks.

4) There may be susceptibility to modest change in credit level, perhaps a drop to double-A over a one to three year time frame.

5) There is no credit cliff, no single event or relatively small change in the performance of an underlying asset that would cause a large shift in the expected loss on the security.

TRANSITION RISK NOTES

- On average, 8% of corporate triple-A's drop to double-A over the course of a year
- Corporates in cyclical industries (e.g. commodities) or sectors in heavy transition (telecommunications) typically would not qualify
- No single-event catastrophe bonds. No tobacco settlement receivables securitizations. No single-product company. No hotel chains or airlines, susceptible to a global safety scare or fuel price crisis.
- No Resecuritizations, such as CDO squared, most ABS CDOs, and re-securitizations for funding purposes where the collateral is not the senior most tranches. Eliminates most second lien products. Re-REMIC?
- No leveraged portfolio of risks with potentially high default correlations in a stress environment. So, no financial guarantor with a significant number of potentially risky and correlated structured assets.
- No credits susceptible to market price or liquidity. Hence, no SIVs. No CPDOs.

INFORMATION RISK

6) The data or information needed to analyze the credit risk must be adequate to eliminate substantially all data-related uncertainty about future performance across a range of scenarios.

7) Typically data supporting a triple-A structured tranche would be at least ten years, representative in make-up relative to the transactions being rated, and cover an extreme market downturn..

8) Transactions depending on price levels or movements must be supported by data adequate to demonstrate survival through a period of extreme illiquidity.

INFORMATION QUALITY NOTES

- For prime US mortgages, there is a xx year history of historical performance, including recessions in 19yy and 19zz, as well as a general understanding of the impact in the 1930s on mortgages of that era. That is adequate to support a US prime mortgage-backed security at triple-A. However, subprime mortgages, etc etc
- For structured financings, an underlying asset class should ordinarily have at least ten years of performance data and cover one or more bad scenarios. Examples of asset classes that qualify are: corporate debt, which has default history back to the 1920s; b; c. Examples of asset classes that do not qualify include: x, y, z.
- At least for now, we do not know enough about pricing to support a triple-A dependent on assumptions about magnitude and sharpness of price changes. Even with that knowledge, we will need to be closer to the trading environment, to avoid wholly depending on third-party marks. So no triple-A SIVs, market value CDOs, commodity price index CPDOs, etc.
- No Aaa on mortgage without indenture assurance of loan by loan information.

COMPLEXITY

9) The methodology and/or model supporting a triple-A must be readily understandable and credible to professional investors. Structural simplicity enables identification of key assumptions and dependencies, enabling mitigating provisions as needed.

10) Triple-A structures should not be highly dependent on untestable assumptions about correlation or fat tails or liquidity conditions.

11) Complexity may take the form of combining different risks, such as in CPDOs or CDO triggers, which combined credit and market risk

12) Triple-A structures should avoid multi-layer securititizations, which hamper transparence and magnify errors in the rating of the underlying assets.

COMPLEXITY NOTES

- No triple-A SIVs, CPDOs, CDO squared
- No triple-A structures which arbitrage a mismatch between long-term assets and short-term liabilities without a full liquidity backstop
- No multi-layer securitizations such as SF CDOs and CDO squared

GOVERNANCE

13) Information asymmetries and conflicting incentives are out.

14) A triple-A is unlikely in the absence of strong governance. Board. Management. No reliance on single strong man. A business approach subject to possible legal or regulatory challenge would ordinarily not be eligible.

15) Typically, no transaction driven primarily by market arbitrage would qualify for a triple-A. Without a straght-forward economic rationale for the business, there is too much occasion for mis-alignment of incentives.

GOVERNANCE NOTES

- No triple-A where asset originators do not also hold a residual interest (hedged exposures don't count) or meaningful reps and warranties
- No synthetic CDOs. Only CDOs funding on-balance sheet assets.

E. Process

New asset classes eligible for Aaa will be approved by cross-discipline policy committee

TAB 3

EXHIBIT
339
3.9.11 AW
PENGAD 800-631-6989

From: Boudkeev, Timour <Timour.Boudkeev@moodys.com>
Sent: Tuesday, March 4, 2008 9:07 AM (GMT)
To: Tabe, Henry <Henry.Tabe@moodys.com>
Subject: RE: Committee Memo

Thanks. Timour is my first name, which is why it bounced.

Can you get back to me on the K2 as well, please (see separate e-mail I sent you yesterday).

-----Original Message-----
From: Tabe, Henry
Sent: 03 March 2008 20:26
To: Boudkeev, Timour
Subject: FW: Committee Memo

This was returned to me.

-----Original Message-----
From: Tabe, Henry
Sent: Monday, March 03, 2008 8:11 PM
To: Cantor, Richard
Cc: Leegerstee, Reynold; boudkeev.timour@moodys.com; michael.west@moodys.com
Subject: RE: Committee Memo

Thanks.

The spreadsheet shows that prices (NAVs) were still relatively high in mid-Nov. By the 30th when sweeping actions were taken, there were further falls to affect all but 4 vehicles. The speed of the drops was unprecedented.

This comes back to the point about reliability of our underlying ratings (and applies to SIV-lites as well, which had almost all Aaa assets). As mentioned in the call, I don't think we can escape from the fact that the undoing of SIVs and SIV-lites is primarily explained by the overly aggressive ratings of underlying assets, from the market's perspective. Granted that senior debt issuance had evaporated, it was ultimately the dramatic drops in value of highly rated assets that caused trigger breaches and loss crystallisations. The extent of the damage caused to a vehicle then depended on secondary factors such as the dispersion of liabilities (WAL) and concentration in the most problematic asset classes.

Another point I did not address sufficiently in the call, also linked to the above is why we got comfortable rating SIV-lites. To the fact that committed liquidity was higher than normal (~25% compared to ~10%, though in hindsight, with a subjective out to funding) and leverage was lower, we should add that ratings were higher (Aaa on average compared to traditional SIVs at Aa, first rated in 1988). Again, nothing would have saved the sector once the market had decided that those Aaa/Aa assets were worthless.

-----Original Message-----
From: Cantor, Richard
Sent: Monday, March 03, 2008 5:49 PM
To: Tabe, Henry
Subject: FW: Committee Memo

-----Original Message-----
From: Rast, Martin
Sent: Tuesday, November 20, 2007 12:50 PM
To: Kimball, Andrew; Mazataud, Paul; Yoshizawa, Yuri; Cantor, Richard; Fu, Yvonne; Rosa, David; Kerlogue, Paul; Remeza, Algis; Tabe, Henry; Ng, Julie; Ameer, Rana; Jung, Angela; Papadacci, Cyril

Subject: Committee Memo

Dear all,

attached please find the committee documents.

Model
<< File: SIV Ratings Calculator v104.xls >>

Supporting Memo on details of the new modelling proposal

Best,
Martin

Martin Rast
+44 20 7772 8676

TAB 4

From: Gärtner, Frank [Frank.Gaertner@ikb.de]
Sent: Tuesday, April 17, 2007 11:45 AM
To: Drennan, Gregg (FID); Valev, Iskren (FID)
Cc: Ryan, Neil; harvey
Subject: RE: Rhinebridge: various issues
Vertrauliche E-Mail von der / Confidential e-mail from IKB Deutsche Industriebank AG

If its just a matter for the raters to agree on the dox I am not concerned about the timetable.

Beste Grüsse,

Frank.
Frank Gärtner

Solicitor, Rechtsanwalt
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Rechtsform Aktiengesellschaft
Sitz Düsseldorf
Handelsregister Amtsgericht Düsseldorf B Nr. 1130
Vorsitzender des Aufsichtsrats: Ulrich Hartmann
Vorstand: Frank Braunsfeld, Volker Doberanzke, Markus Guthoff, Claus Momburg, Stefan Ortseifen

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From: Drennan, Gregg (FID) [mailto:Gregg.Drennan@morganstanley.com]
Sent: Tuesday, April 17, 2007 5:42 PM
To: Gärtner, Frank; Valev, Iskren (FID)
Cc: Ryan, Neil; harvey
Subject: RE: Rhinebridge: various issues

We need the docs separate from Fanny - althouhg her mail highlights that the agencies are now primarily waiting for the docs to continue theri work (SnP and Fitch are basically done apart from the docs).

Moodys confirmed about a month ago that they would not release pre-sales without finalising doc review - see mail from David Rosa on the 14th March.

Gregg Drennan - Executive Director
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London, E14 4QW
Phone: +44 20 7677-6967
Mobile: +44 77951-27591
Fax: +44 20 7677-4328
Gregg.Drennan@morganstanley.com

From: Gärtner, Frank [mailto:Frank.Gaertner@ikb.de]

EXHIBIT
PENGAD 800-631-6989
Plaintiffs' 350
11/18/11 EC

Sent: 17 April 2007 16:38
To: Drennan, Gregg (FID); Valev, Iskren (FID)
Cc: Ryan, Neil; harvey
Subject: RE: Rhinebridge: various issues

We are in contact with Fanny. This is the first time that Ihear that Moodys ned the dox settled for the pre-sale. Did you know this?

Beste Grüsse,

Frank.
Frank Gärtner

Solicitor, Rechtsanwalt
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Fax.: +49 (0) 211 8221 2748
mailto: Frank.Gaertner@ikb.de
website: www.ikb.de

From: Drennan, Gregg (FID) [mailto:Gregg.Drennan@morganstanley.com]
Sent: Tuesday, April 17, 2007 4:59 PM
To: Gärtner, Frank; Valev, Iskren (FID)
Cc: Ryan, Neil; harvey
Subject: RE: Rhinebridge: various issues

It was understood that all of us had worked flat out to get the red out but we were expecting the docs last week? I`m trying to avoid the docs once again being a cause of crisis.

Gregg Drennan - Executive Director
Morgan Stanley | Fixed Income
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London, E14 4QW
Phone: +44 20 7677-6967
Mobile: +44 77951-27591
Fax: +44 20 7677-4328
Gregg.Drennan@morganstanley.com

From: Gärtner, Frank [mailto:Frank.Gaertner@ikb.de]
Sent: 17 April 2007 15:56
To: Drennan, Gregg (FID); Valev, Iskren (FID)
Cc: Ryan, Neil; harvey
Subject: RE: Rhinebridge: various issues

Vertrauliche E-Mail von der / Confidential e-mail from IKB Deutsche Industriebank AG

The red was circulated only three weeks ago, then you told us that Iskren etc were all on hols over Easter; also people on the swap side left MS before Easter. What are you trying to say?

Beste Grüsse,

Frank.
Frank Gärtner

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mailto: Frank.Gaertner@ikb.de
website: www.ikb.de

From: Drennan, Gregg (FID) [mailto:Gregg.Drennan@morganstanley.com]
Sent: Tuesday, April 17, 2007 4:46 PM
To: Gärtner, Frank; Valev, Iskren (FID)
Cc: Ryan, Neil; harvey
Subject: RE: Rhinebridge: various issues

Frank, Neil

When will we see the new suite of docs? Given the call earlier we will need to make judgements very soon as to achievable pricing and closing dates from a docs perspective. We have unfortunately just lost 3 weeks from not having any docs to review - and we need some time to review and consider them to see where we stand.

Thanks

Gregg Drennan - Executive Director
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London, E14 4QW
Phone: +44 20 7677-6967
Mobile: +44 77951-27591
Fax: +44 20 7677-4328
Gregg.Drennan@morganstanley.com

From: Gärtner, Frank [mailto:Frank.Gaertner@ikb.de]
Sent: 16 April 2007 08:58
To: Valev, Iskren (FID); Drennan, Gregg (FID)
Cc: Ryan, Neil

Subject: Rhinebridge: various issues

Vertrauliche E-Mail von der / Confidential e-mail from IKB Deutsche Industriebank AG

Iskren/Gregg,

1. Re indemnities: I spoke to Yurij last week and we agreed the final wording. I am sending it to Mayers for incorporation.

2. Re USToBO: IKB oppsosses giving the opinion on the following grounds -

- The structure of Rhinebridge is basically modeled on Cheyne (as required by MS) and no such opinion was given in Cheyne. Like in Cheyne the Rhinebridge Manager may enter into a wide range of Investment Derivatives (see the Red: not just the Associated Derivatives, which are solely to provide hedges) and, like in Cheyne, may also enter into securities lending transactions. This creates a possibility, although fairly unlikely, that Rhinebridge could be treated as a "dealer" in stocks or securities for U.S. federal income tax purposes, which could subject any transactions entered into by the Issuer through the Manager, their employees, agents or IKB affiliates (because affiliates due to their affiliate status may be considered agents of the Manager for this purpose) to U.S. corporate income tax (and possibly an additional "branch profits tax") if they act in whole or in part within the U.S. in conducting such transactions. This situation appears to make it technically impossiblet to give an opinion. It is on MSs advice concerning the structure that Rhinebridge has the discretion to Investment Derivatives and we see no reason why IKB CAM should be penalised for following MSs advice. To sort out and spend time, energy and money on sorting out this issue amounts to a penalty.
- You mentioned that the main reason for the USBoTO is the co-issuance structure which Rhinebridge applies. You say this wasnt yet possible in Cheyne. Co-issunace structures were made possible only after Cheyne as a result of a change in Irish law. Cheyne was two years ago. I understand from my telecon with Gregg and Jonathan Edge the other day that Sidleys have been fairly commonly asked to provide a USBoTO in SIV-projects. Acc to the market data available to me there are about 23 or 24 SIVs out there. I have identified 5 SIVs since Cheyne. One of them is Carrera. No USBoTO was given in Carrera. This leaves a maximum of 4 SIVs in respect of which Sidleys may have been involved/approached to give a USBoTO for co-issuance reasons. I cant remember exactly what Jonathans words were during my telecon with him and Gregg, but the impression which his words conveyed was such that I could reasonably assume that an USBoTO was given in respect of many more SIVs than just 4. Hence I think its unlikely that they were given as a result of the co-issuance structure. Please let me know what MSs reasons are for obtaining a USBoTO.
- Also: the info on which I still work today is that no notes will be co-issued in the foreseeable future. As far as I am aware MS have not yet found an investor in the US for the first round of notes - at least not one who requires notes to be co-issued. Hence, if you convince IKB that MSs primary reason for the USBoTO is the co-issuance structure then we should wait until the first co-issuance of notes - which will also give us time to find out whether the technical obstacles mentioned above have gone away.

3. Another opinion: why? As this is a US driven request and you mention internal legal advisers I presume Yurij has asked for this. I will touch base with him.

4. This week.

5. I will get in touch with Rhinebridgge LLC.

Beste Grüsse,

Frank.
Frank Gärtner

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From: Valev, Iskren (FID) [mailto:Iskren.Valev@morganstanley.com]
Sent: Friday, April 13, 2007 6:01 PM
To: Gärtner@ms.com; Gärtner, Frank
Cc: Drennan, Gregg (FID)
Subject: various issues

Frank,

I would like to get an update on the various outstanding issues, opinion and indemnity discussions that have taken place in the last 2 weeks.

1. Indemnities: Have you had the chance to review the revised indemnity language that was sent by Yurij? The mark-up sent by Yurij reflects what all 3 dealers agreed on this week. If you have signed off, can you forward to Mayer Brown for inclusion into the next draft of the management agreement.

2. How did your call with Mayer Brown on the US Trade or Business opinion go? Please let us know if you would like Sidley tax lawyers to follow up with Mayer's tax lawyers, as far as I know such conversation never happened because John Organ from Mayer Brown never returned Sidley's calls.

3. I have been asked by our internal and external counsel for a Blue Sky Opinion/Analysis for the paper sold in US. This is an analysis showing that the private placement of US CP and co-issued MTN and capital notes sold in US to US persons does not violate any US State Security Laws and is pretty typical for private placement deals in US. Can you follow up with Mayers on that.

4. We are expecting the next draft of the transaction documents, have you heard back from Mayers?

5. I sent you and Alan Geraghty an e-mail yesterday about the documents that our NY short term desk requires to set up trading accounts with Rhinebridge. It turned out that they need the Patriot Act docs (W9, Article of Incorporation, List of Board of Directors) for the US entity Rhinebridge LLC. I wasn't sure if Alan is the right person to ask for these docs, did you forward the request to the person who set up the US entity?

Thank you and have a good weekend,

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TAB 5

From: Guadagnuolo, Lapo
Sent: Wednesday, August 30, 2006 1:21 PM
To: Van Acoleyen, Katrien
Subject: FW: IKB termsheet blackline
Katrien,

this is another SIV that has come through. It is the same MS team now helping out IKB to set up a SIV as they did for Cheyne. MS came to use something like 2-3 months ago for informal/initial chat about it.

Now they have just sent the op man and termsheet blacklined against Cheyne SIV. Myself and Perry will have a call with MS and IKB next week.

Lapo

From: Rajiyah, Anushka (FID) [mailto:Anushka.Rajiyah@morganstanley.com]
Sent: 30 August 2006 09:55
To: Guadagnuolo, Lapo
Cc: Drennan, Gregg (FID); Moubarak, Rany (FID)
Subject: IKB termsheet blackline

Hi Lapo,

PLease find attached the blackline to Cheyne

Thanks

Anushka Rajiyah
Morgan Stanley | Fixed Income
20 Cabot Square | Canary Wharf | Floor 02
London, E14 4QW
Phone: +44 20 7677-3061
Mobile: +44 77299-77005
Fax: +44 20 7677-3454
Anushka.Rajiyah@morganstanley.com

TAB 6

From: Guadagnuolo, Lapo
Sent: Wednesday, December 06, 2006 7:01 PM
To: Mccabe, Stephen
Subject: Re: Cheyne-IKB SIV

Oh, yes!

Sent from my BlackBerry Wireless Handheld

-----Original Message-----
From: Mccabe, Stephen <Stephen_Mccabe@standardandpoors.com>
To: Guadagnuolo, Lapo <Lapo_Guadagnuolo@standardandpoors.com>
Sent: Wed Dec 06 23:55:42 2006
Subject: RE: Cheyne-IKB SIV

The fat guy!!!!!!

-----Original Message-----
From: Guadagnuolo, Lapo
Sent: Thursday, 7 December 2006 10:55 AM
To: Mccabe, Stephen
Subject: Re: Cheyne-IKB SIV

Well, you know with these guys.....as soon as possible, preferably yesterday!!

Thinking of having to listen to that Gregg guy again.....makes me very happy!!

Who's Remi?

Sent from my BlackBerry Wireless Handheld

-----Original Message-----
From: Mccabe, Stephen <Stephen_Mccabe@standardandpoors.com>
To: Guadagnuolo, Lapo <Lapo_Guadagnuolo@standardandpoors.com>
Sent: Wed Dec 06 23:46:51 2006
Subject: RE: Cheyne-IKB SIV

Makes perfect sense as usual - what is the timing?
Obviously have the initial meetings with Greg and Remi and I will fill Anthony in on the approach we took.

Stephen

From: Guadagnuolo, Lapo
Sent: Thursday, 7 December 2006 12:13 AM
To: Mccabe, Stephen
Subject: FW: Cheyne-IKB SIV

Hi Stephen,

Does the below make sense to you? Morgan stanley (the guys of Cheyne SIV) wants to do another SIV where the manager is now IKB. I gave them preliminary comments on the termsheet which is blacklined against Cheyne and they are asking who from modelling side we have.

I thought you should be involved again but use this vehicle to introduce Anthony to the beauty of SIV world.

Morgan Stanley is telling me that they want to the same as Cheyne SIV but they are already talking about some tweaks to the simulation for the capital notes that they did…as they'd like to get senior capital notes rated higher than A…I made clear to them that it is not just about modelling…but you know these guys…

Let me know what you think.

Cheers
Lapo

From: Inglis, Perry
Sent: 06 December 2006 12:56
To: Guadagnuolo, Lapo
Subject: RE: Cheyne-IKB SIV

OK - check with Stephen re workload but I think your suggestion makes sense

-----Original Message-----
From: Guadagnuolo, Lapo
Sent: 06 December 2006 12:51
To: Inglis, Perry
Subject: RE: Cheyne-IKB SIV

Sorry sorry I meant the MS-IKB, my mistake.

For the Cheyne one we had a preliminary call yesterday and honestly it looks a very complicated to I think she suggested Seb.

From: Inglis, Perry
Sent: 06 December 2006 12:45
To: Guadagnuolo, Lapo
Subject: RE: Cheyne-IKB SIV

can you please check with Cristina - I think she has already allocated - and yes I recall that she was suggesting getting Anthony involved. In fact I thought you responded to her to clarify that it is closer to a SIV than a CDPC etc? no?

-----Original Message-----
From: Guadagnuolo, Lapo
Sent: 06 December 2006 12:42
To: Inglis, Perry
Subject: Cheyne-IKB SIV

Hi Perry,

Who has been allocated to the new Cheyne-IKB SIV from the modelling side? Stephen worked on Cheyne and this IKB 'should' be very very similar. I thought this one would be a good one for Anthony to start on with obviously Stephen in the shadow.

What do you think?

Lapo

TAB 7

COMMITTEE MEMORANDUM

IKB/MS/RHINEBRIDGE – CAPITAL NOTE NOTCHING CALIBRATION

Presenter:	Angela Jung
Committee Chair Person:	Henry Tabe
Committee Members:	Henry Tabe, David Rosa, Fanny Lau, (Martin Rast) and Mark Abbott
Committee Date:	14 February 2007
Transaction Committee:	SIV
SIV Name:	**Rhinebridge**
Arranger:	**Morgan Stanley**
Manager:	**IKB**

Specific Comments :

Purpose of the committee:

: Calibration of Rhinebridge's capital model to our Moody's standards

Monitoring Comments :

None.

Committee Result

Feed Back Required by the Committee

- Stress spread vol 2 times
- Around proposed target of WAL 5, leverage 10.6 portfolio quality Aa2, the committee is comfortable with 1 notch downgrade
- The committee requires IKB to notify moody's in case of any change occurs from the target proposed in this memo

1. Background

Rhinebridge is a SIV proposed to be set up and managed by IKB, and arranged by Morgan Stanley. IKB proposes to run the vehicle with target portfolio rating of Aa2, leverage 11.1 and Wal of 4.65 years.

IKB's capital model is identical to that of Cheyne's. Morgan Stanley proposes to update its rating transition matrix for IKB. However, this is not expected to change the end results of the simulation significantly.

The purpose of today's committee is to review the proposed capital model and calibrate this to our Moody's standards.

2. Model description

(The model description here closely follows the committee memo prepared by David Rosa in Dec 2006, with regard to Cheyne Funding Capital Model)

Morgan Stanley has developed a Monte Carlo simulator to rate the Senior Capital Notes (SCNs), Mezzanine Capital notes (MCNs) and Combination Capital Notes (Combo notes) following Moody's Capital Note Model paper.

However, the defeasance trigger is defined using Matrix Capital Adequacy instead of 50% NAV Loss.

In specific, the defeasance occurs in month n if

Portfolio Value (Mn) – Senior Notes – Amortised Costs (Mn) + Loss Reserve (Mn) <Portfolio Capital Requirement (Mn)

Capital requirements are function of the asset's industry, rating and WAL and equal to the multiplication of a generic haircuts by the liability maturity factor and by the capital requirements factor.

Generic Haircuts:

	Generic Haircuts	
	42 months	60 months
Aaa	3.255	3.920
Aa	4.883	5.880
A	6.510	7.840
Baa	10.579	12.740
Ba	16.275	19.600

Liability maturity factor:

WAL Senior Liabilities	Liability Maturity Factor
6 months	0.99

Capital Requirements factor for each asset category:

	Capital Requirements Factor						
	CDO	**CMBS**	**Credit Cards**	**Auto Loans**	**RMBS**	**Student Loans**	**HEL**
Aaa	1.60	1.0	0.75	0.85	0.75	0.75	0.90
Aa	1.60	1.0	0.75	0.85	0.75	0.75	0.90
A	1.60	1.0	0.75	1.00	0.75	0.75	1.00
Baa	2.50	1.0	1.00	1.25	1.00	1.00	1.25
Ba	2.50	1.0	1.30	1.50	1.00	1.00	1.50

As pointed out in David's previous memo, the main drawbacks of the current proposal are that

- Only broad category ratings states have been modelled (i.e. Aaa, Aa, A, Baa rather than Aaa, Aa1, Aa2, Aa3 and so forth) for Spread and Transition;
- No wind down upon defeasance is modelled – i.e. loss upon defeasance is assumed to be equal to trigger level. (MS is currently working on a version of the model that will model the liquidation process taking into account the senior liability maturity profile and a specified order of sale, but this is currently **not available**.)

The MS model hasn't changed in great deals since Cheyne. The Market Value of portfolio is simulated monthly during 10 year simulation period (i.e. 120 periods).

- The Market value of the portfolio is simulated monthly using Moody's ratings transition tables. In detail,

  1) Adjust Moody's standard 5 year tables to remove the effect of withdrawn ratings treating everything below B as defaulted

  2) Given the 5 years historical tables, compute yearly tables by using a compounding method.

  3) Then replace the default figures by the 1 year Moody's idealised default rates making sure when compounding this 1 year table to 5 and 10 years, the default rates are higher than the 5 and 10 years Moody's idealised numbers, respectively.

  => Therefore, the default figures are more conservative than the Moody's idealised numbers.

The fact that the simulated defaults by construction are higher than our idealised default rates is a conservative method that offsets the non-modelling of intermediate rating states.

- Credit spread process is captured using a simplified Mean Reversion process

- Spread volatility used in model – MS model a single spread process for a given rating and industry category *irrespective of maturity*, implying that they only have simple spread volatility for a given rating and industry category. Even if the proposed capital matrix has different inputs for different maturities, they only use the 5-year maturity point to feed into the simulation model.

Given that the expected WAL is in the 3-5 year region, the 5 year assumption seems conservative enough.

- Conservative correlation assumptions for credit spreads (60% pair wise) and transitions (20% pair wise) are made due to lack of data availability.

Recommendation:

Accept the model

3. Calibration of MS's model to GAIA

The proposed representative portfolio by Rhinebridge is as following:

Number of assets: 152
WAL of assets: 5 years
Leverage: 10.64
WAL of liabilities: 0.5 years (6 months)
Target portfolio Quality: Aa2 (WARF 20)

Concentrations:

cdo	22%
cmbs	14%
credit_cards	1%
hel	50%
rmbs	13%
Grand Total	100%

Simulation Inputs:

Normal/Restricted Investments	Normal
Liquidation Process	All at Once
Number of Simulation Paths	10,000
Length of Simulations (years)	10
Periodicity (months/year)	12
Random Seed	16
Spread Correlation	60%
Transition Correlation	20%
Portfolio Size	2,500,000,000
Portfolio Spread	34.0 bps
Running Reserve	-

Capital Structure:

	Size	% of Structure	Spread
Senior Notes	2,265,000,000	90.60%	.30 bps
SCN	100,000,000	4.00%	50 bps
MCN	110,000,000	4.40%	100 bps
JCN	25,000,000	1.00%	bps

We have asked MS to run a number of simulations so that we could capture the sensitivity of their model to the changes of

- Leverage (8 times, 10.64 times, 11.1 times);
- WAL of asset (4 years, 5 years, 5.25 years);
- Portfolio Quality (Aa1 – WARF 10, Aa2 – WARF 20, Aa3 – WARF 40)

In addition, we asked to stress the spread volatility of MS model to 1.5 times, 2 times and 2.5 times. As discussed in the previous committee, the 2 times stress seems most appropriate.

Presented below are the comparisons of GAIA and MS's model runs for the stated combination of WAL/Leverage and Portfolio quality for spread vol stress 2 times and 2.5 times. The 1.5 times stress results are attached on the back of this committee memo.

Presented below are the summary of notching differences between GAIA and IKB's model where the stress vol = 2 times.

	WAL 4			WAL 5			WAL 5.25		
	Aa1	Aa2	Aa3	Aa1	Aa2	Aa3	Aa1	Aa2	Aa3
Leverage 8	3	1	1	2	0	0	1	0	-1
Leverage 10.6	1	1	0	-2	-1	0	-1	0	1
Leverage 12.5	0	0	0	0	1	3	1	1	3

Recommendation:

Start with 10.64 Leverage, WAL of 5 years, Portfolio Aa2. We notch down MS's rating by 1 given that this then produces the identical rating as GAIA's.

Now, there could be 2 possible broad departures from the target –

- The vehicle improves either by
  1) Improving the portfolio quality
  2) Lowering the Leverage
  3) Shortening the WAL

Recommendation:

⇨ The MS model gives more generous ratings benefit to any of the listed improvement above, compare to GAIA

⇨ However, in this case, Moody's doesn't need to comply with it (i.e. unchanged capital note rating). In any sense if we feel compelled to upgrade their capital note ratings, only do so by moderate sense according to the GAIA result in each case.

- Now, there can be another scenario where the vehicle is running in aggressive manner by
  1) Lowered portfolio quality
  2) Higher Leverage
  3) Longer WAL

Recommendation:

⇨ MS penalises the capital note rating more severely than GAIA, implying that at any rate, IKB will recognise the risks of running the vehicle in aggressive manner before GAIA detects it.

⇨ Therefore, we could be comfortable without having to notch their results at any rate given the fact that MS model produces more conservative capital ratings.

Appendix:

Comparison of results: GAIA vs MS capital Model with spread volatility stressed at 1.5 times

WAR = Aa1 Aa1

		GAIA			Vol Stress = 1.5			
Leverage	Wal	*SCN*	*Combo*	*PD*	SCN	MCN	Combo	**PD**
8	**4**	Aaa+	Aa1+	0.00%	Aaa	Aa1+	A1	0
10.6	**4**	Aaa+	Aa3	0.36%	Aaa	Aa1+	A1	0.0001
12.5	**4**	Aaa+	A2-	1.60%	Aaa	Aa2+	A1-	0.0019
8	**5**	Aaa	Aa3-	0.48%	Aaa	Aa1	A2+	0.00%
10.6	**5**	Aa1	Baa1	3.04%	Aaa	Aa2+	A2	0.07%
12.5	**5**	Aa2-	Baa3	6.84%	Aaa	A2	A3	1.08%
8	**5.25**	Aaa+	A1+	0.60%	Aaa	Aa1	A2+	0
10.6	**5.25**	Aa1	Baa1-	3.76%	Aaa	Aa2	A2	0.13%
12.5	**5.25**	Aa1	Baa3	7.16%	Aaa	Baa1	Baa1	0.0248

WAR = Aa2 Aa2

		GAIA			Vol Stress = 1.5			
Leverage	Wal	*SCN*	*Combo*	PD	SCN	MCN	Combo	PD
8	**4**		*Aa3+*		Aaa	Aa1	A1-	0.00%
10.6	**4**	Aaa+	A1	0.72%	Aaa	Aa1	A2+	0.08%
12.5	**4**	Aaa+	A3-	0.026	Aaa	Aa3	A2	0.65%
8	**5**	Aaa	A2+	1.16%	Aaa	Aa1	A2	0.00%
10.6	**5**	Aa2	Baa2	4.92%	Aaa	Aa3	A3+	0.25%
12.5	**5**	Aa3	Ba1+	9.96%	Aaa	Baa2-	Baa2-	**5.07%**
8	**5.25**		*A2*		Aaa	Aa1	A2	0.00%
10.6	**5.25**	Aa1	Baa2	5.24%	Aaa	A1-	A3	0.77%
12.5	**5.25**		*Ba2-*		Aaa	Ba1	Baa3-	**10.17%**

WAR = Aa3

		GAIA			Vol Stress = 1.5			
Leverage	Wal	*SCN*	*Combo*	*PD*	SCN	MCN	Combo	PD
8	**4**		*Aa3*		Aaa	Aa1	A1-	0.00%
10.6	**4**	Aaa	A2	1.40%	Aaa	Aa2+	A2+	0.17%
12.5	**4**		*Baa2-*		Aaa	A2	A3	2.46%
8	**5**	Aa1	A2	1.56%	Aaa	Aa1	A2	0.00%
10.6	**5**	Aa2-	Baa3+	6.68%	Aaa	A2	A3	1.31%
12.5	**5**	Aa3	Ba1-	13.36%	Aaa	Ba1-	Ba1	**17.93%**
8	**5.25**		*A3+*		Aaa	Aa1-	A2	0.01%
10.6	**5.25**	Aa1	Baa3	7.56%	Aaa	Baa1	Baa1-	3.06%
12.5	**5.25**	Aa2	Ba2+	14.16%	Aaa	Ba3	Ba2-	**29.25%**

TAB 8

PRELIMINARY DISCUSSION
RATING CAPITAL NOTES HIGHER THAN SINGLE-A

Date: 13-Feb-07
Attendees: LG, PI, KVA, CP, SMc, NK

BACKGROUND
Morgan Stanley is teaming up with IKB Deutsche Industriebank, the manager, to set up RhineBridge PLC, a new SIV. This SIV will be very close in terms of assets and strategy to Cheyne SIV, the other Morgan Stanley arranged SIV, closed in Aug. 2005. Like Cheyne SIV, the senior notes will be rated with a capital charge matrix, whereas the model for capital notes is based on a simulation model.

The main difference is that while Cheyne has a three tier capital structure (Senior notes (AAA/A-1+); Mezz capital notes (A), and Juniot capital notes (NR)), RhineBridge wants to have senior capital notes rated AAA junior to the senior notes and senior to the mezzanine capital notes.

The AAA rating will speak to ultimate interest and principal. They are aware that we might need to call them "Deferrable" as we would do in other SF areas.

A very rough estimate of the capital structure is as follows

AAA/A-1+ MTNs/CPs = 91%
AAA cap notes = 3.5%
A cap notes = 4.5%
NR Income notes = 1%
Leverage to Senior Notes = 10.11
Leverage to AAA cap notes = 17.18

As a comparison, Cheyne SIV (at almost 9.6bn of assets) is

AAA/A-1+ MTNs/CPs = 93%
A cap notes = 6%
NR Income notes = 1%
Leverage to Senior Notes = 13.28

We have seen the model and commented upon that. Stephen can give more colour but this committee is to focus on the feasibility.

STATUS QUO IN SIVs AND SOME CONSIDERATIONS
- Up to now, we have a qualitative cap for capital note rating in SIV at A-flat.

- From a pure quantitative/modeling point of view, we all know that capital notes (expecially the ones with a first loss piece underneath) can easily be rated above A-flat. Looking at the tranching above, you can clearly see that almost half of the RhineBridge AAA cap notes could be rated AAA (as Cheyne, which is not among the most levered SIVs, has 93% of Senior notes). However, RhineBridge has 91% of AAA/A-1+ senior notes. In other words, these are like Junior senior notes, hence with lower stability.

- If I am not mistaken, 3 years ago we could have rated Sigma notes at AA level from the model, but we decided not to. Those were not first loss piece as there was a trapping mechanism. RhineBridge will have "true" subordination from the mezzanine and the income notes.

- It is also true that we (and the most experienced managers) want to see capital note ratings very stable. Since we insist on this for A rated capital notes, we should be even more worried about that for a AAA rating and require a "rating volatility" buffer, which up to now has been on a voluntary basis, among other things

We have seen the model and commented upon that. Stephen can give more colour but we

PRELIMINARY THOUGHTS
- One reason why we cap the rating of capital notes at A is the presence of other 'soft' defeasance events and assumptions of the management behaviour (like the fact that the pool will stay the same for the life of the vehicle) for loss in no defeasance. Now, this is not even an experienced SIV manager.

- My starting point is that to give a AAA rating to capital notes, these notes should pass the same tests for the senior notes (also the obligor limits compared to NAV, to cover from idionsicratic risk). If they could pass AAA tests, then we should not even worry about operational/management risk/soft issues, as we would assume defeasance occurs today, as we do for senior notes. If not, we have to discuss the operational risk issue as above.

- we have to think about the market reaction and whether we want to be doing this with a new manager.

- are we against subordinated paper being rated AAA from a rating policy point of view?

PREVIOUS COMMENTS FROM EMAILS
Q: They can model defeasance and remain at the end of defeasance with the capital notes' notional and their acrrued interest?
A: Let's assume they can.

Q: In defeasance , they do not pay coupon and rating will address deferred and ultimate coupon and principal?
A: Yes, we go with the assumption that ANY capital notes cannot receive anything in defeasance, hence if they have a long MTN, they will have to wait for it to be paid. At the end of the day, let's not forget the capital structure compared to Cheyne above.

TAB 9

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

KING COUNTY, WASHINGTON	)
Individually and on Behalf of All	) Civil Action No.
Similarly Situated,	) 1:09-cv-08387-SAS
Plaintiff,	) Others
vs.	) CLASS ACTION
IKB DEUTSCHE INDUSTRIEBANK AG,	)
et al.,	)
Defendants.	)

IOWA STUDENT LOAN LIQUIDITY	) Civil Action No:
	) 1:09-cv-08822-SAS
CORPORATION, Individually and on	)
Behalf of All Others Similarly	)
Situated,	)
Plaintiff,	) CLASS ACTION
vs.	)
IKB DEUTSCHE INDUSTRIEBANK, AG,	)
et al.,	)
Defendants.	)

HIGHLY CONFIDENTIAL

VIDEOTAPED DEPOSITION OF LAPO GUADAGNUOLO taken at taken at 70 Fleet Street, City of London, UK, Thursday, November 17, 2011, commencing at 10:04 a.m., before AILSA WILLIAMS, Accredited LiveNote Reporter.

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refer to senior notes we will both understand that you 11:00:48
are talking about the commercial paper and the MTNs. Is 11:00:51
that correct? 11:00:55
A That is fair, yes. 11:00:55
Q What rating did the senior notes receive 11:01:02
from Standard & Poor's in the Rhinebridge SIV? 11:01:05
MR. RINGEL: Objection to form, compound. You 11:01:09
may answer. 11:01:11
A The rating that we gave to the senior 11:01:15
notes, by senior notes meaning the senior MTNs, was AAA, 11:01:19
whereas the rating to the CP was A1 plus. 11:01:25
Q And, as Standard & Poor's defines those 11:01:37
ratings, the A1 plus rating indicates a high expectation 11:01:41
of full recovery. Is that correct? 11:01:47
MS KAMISON: Objection. 11:01:51
MR. RINGEL: Object to the form. 11:01:52
A The A1 plus definition would be defined 11:01:55
as -- again, I don't have the specific definition but it 11:02:00
would refer to high level of creditworthiness. 11:02:04
Q What do you mean by "high level of 11:02:29
creditworthiness"? 11:02:31
A Clearly ratings, if you take a step back, 11:02:37
are relative measures, so an A1 plus level of 11:02:41
creditworthiness would be relatively higher than an A1 11:02:45
with a short-term rating space, and by

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"creditworthiness" we generally refer to the ability and 11:02:51
willingness of the issuer to make repayments of its 11:02:58
obligation in a timely and full manner. 11:03:03
Q What is the meaning that Standard & Poor's 11:03:45
ascribes to the AAA rating that the MTNs were given? 11:03:50
A For AAA it is the same, meaning that I 11:04:00
told you about the A1 plus, but it is the rating that is 11:04:03
used for the long-term rating spectrum. 11:04:07
Q On the A1 plus rating, the plus is -- 11:04:21
strike that. What is the plus? What does that connote? 11:04:24
MR. RINGEL: I am assuming you are asking the 11:04:34
last question: "What does that connote?" 11:04:36
Q Yes. 11:04:38
A I guess the plus is -- I think the name of 11:04:39
it, the actual technical name of it is the modifier, 11:04:42
which we usually use in rating scales to denote a rating 11:04:47
that is higher than the one that does not have the plus. 11:04:53
Q So A1 and A1 plus -- strike that. How 11:05:00
does Standard & Poor's concede the difference in this 11:05:14
case then between an A1 and an A1 plus rating for 11:05:16
commercial paper? 11:05:21
MR. RINGEL: Objection to form. You may 11:05:25
answer. 11:05:26
A I guess for in this case short-term 11:05:31
obligations that we consider to have a higher

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creditworthiness of an A1 issuance, if it is a higher 11:05:41
creditworthiness, we would tend to use the A1 plus to 11:05:49
denote that higher creditworthiness. 11:05:53
Q And for short-term commercial paper the A1 11:06:03
plus is the highest rating that Standard & Poor's 11:06:06
provides, is that correct? 11:06:12
A It is the highest rating in the short-term 11:06:14
rating scale, yes. 11:06:16
Q In doing the rating process for the 11:06:49
Rhinebridge SIV, Standard & Poor's analyzed certain 11:06:52
risks against its criteria in order to establish the 11:06:56
rating. Is that correct? 11:07:02
A What I would say, in rating the 11:07:09
Rhinebridge SIV, we would have looked at the risks or 11:07:11
factor of risks that we would consider in our criteria. 11:07:20
Q When you say "factor of risks", as you did 11:07:30
in your answer, what do you mean by that? 11:07:32
A What I meant by that is that there are, as 11:07:36
we say in our criteria, areas of risk that we look at, 11:07:39
and they would be defined as generically credit risk, 11:07:45
market risk, liquidity risk. These are the main ones 11:07:51
that I can think of. 11:07:58
MR. CAPUTO: Let's go off the record. 11:07:59
THE VIDEOGRAPHER: Going off the record. The 11:08:45
time is 11:07.

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(A short break). 11:08:52
THE VIDEOGRAPHER: Back on the record. The 11:21:09
time is 11:20. 11:21:10
MR. CAPUTO: I neglected to ask you, regarding 11:21:15
your review in preparation for this deposition, whether 11:21:17
you reviewed the operations manual for the Rhinebridge 11:21:21
SIV. 11:21:25
A No, I didn't. 11:21:28
Q Did you review the termsheet for the 11:21:30
Rhinebridge SIV? 11:21:33
A No. 11:21:37
Q Did you review the operations manual for 11:21:38
the Cheyne SIV in preparation for this deposition? 11:21:41
A No. 11:21:47
Q Did you review the termsheet for the 11:21:48
Cheyne SIV for this deposition? 11:21:51
A No. 11:21:52
(Exhibit P275 marked for identification). 11:22:18
Q I am marking as Exhibit 275 to this 11:22:19
deposition a document with the Bates number S&P-IKB 11:22:24
0029582 through 605, and I am marking as Exhibit 276 a 11:22:30
document with the Bates number S&P-ADCB 0062675 through 11:22:52
693. 11:23:09
(Exhibit P276 marked for identification) 11:23:10
What are Exhibits 275 and 276?

MR. RINGEL: Objection to form, compound. You may answer. 11:23:47 11:23:48
A The 275, as the title says, is the "Criteria for SIVs". The 276 says: "Redevelopments" of that criteria. 11:23:51 11:23:55 11:24:03
Q So Exhibit 276 is a supplement to Exhibit 275. Is that correct? 11:24:08 11:24:13
MR. RINGEL: Objection to form. You may answer. 11:24:14 11:24:16
A Yes, I mean, supplement is -- I would call it more an extension. It touches on things that were not discussed in the first criteria and I think it clarifies others. 11:24:19 11:24:23 11:24:26 11:24:31
Q In the rating process for the Rhinebridge SIV, these two documents were considered together as the criteria for your rating evaluation. Is that right? 11:24:37 11:24:40 11:24:46
MR. RINGEL: Objection to form. You may answer. 11:24:50 11:24:51
A In rating Rhinebridge SIVs we would have used the general SIV criteria and those would have been the two main documents. 11:24:53 11:24:56 11:24:58
Q And these same criteria were used to rate the Cheyne SIV, is that right? 11:25:03 11:25:08
MR. RINGEL: Objection to form. You may answer. 11:25:10

A Again, that would have been two of the main documents that we looked at for Cheyne as well. 11:25:11 11:25:15
Q I am trying to understand whether we have the universe of criteria for the SIV rating of Rhinebridge in Exhibits 275 and 276. In that regard, do we? 11:25:22 11:25:24 11:25:31 11:25:37
MR. RINGEL: Objection to form. You may answer. 11:25:39 11:25:40
A These would be, yes, the main that I would refer to as criteria for SIVs. I believe there was another paper generally for SIV criteria, in particular for the capital notes. 11:25:42 11:25:45 11:25:47 11:25:51
Q What is the other paper you are referring to. 11:25:53 11:25:54
A I don't recall the name. I think it is called "Rating of capital notes of SIVs", something like that. 11:25:57 11:25:59 11:26:03
Q When was that published? 11:26:05
A I believe that could have been 2005, if I am not mistaken. 11:26:11 11:26:13
Q In the prerelease publication of the ratings for the Rhinebridge SIV, Exhibits 275 and 276 alone are mentioned. Was that an oversight? Should there have been something else mentioned as criteria? 11:26:19 11:26:30 11:26:36 11:26:41
MR. RINGEL: Objection to form.

A I believe we have used part of the concept in rating the capital which is in the rating capital notes criteria paper. I can't remember -- if you are telling me that it was not in the related articles, that I cannot tell you. 11:26:50 11:26:55 11:26:59 11:27:06 11:27:10
Q In a number of references in Standard & Poor's documents regarding the rating of the Rhinebridge SIV it is referred to as a "Cheyne copycat". Do you have an understanding what that means? 11:27:24 11:27:31 11:27:38 11:27:44
MR. RINGEL: Objection to form, foundation. 11:27:46
A I remember that is a term that I would have used just simply to say that in a number of aspects that yes, it is fair to say that the Rhinebridge was similar to Cheyne. 11:27:50 11:27:54 11:27:59 11:28:00
Q When you say -- strike that. I am marking as Exhibit 277 a one page document, Bates S&P-IKB 0013239. 11:28:48 11:29:45 11:29:50
(Exhibit P277 marked for identification) 11:29:52
This is an e-mail chain from you, and the last e-mail, Mr. Guadagnuolo, is to Katrien Van Acoleyen. 11:30:22 11:30:26
A That is right. 11:30:35
Q And who is she? 11:30:37
A She is a colleague at S&P. 11:30:39
Q What is her position? 11:30:41
MR. RINGEL: You are asking as of 2007 or now?

Q I am asking as of the date of this e-mail. 11:30:47
A Okay. I believe her position, I think she was a director at that time. 11:30:50 11:30:54
Q Did she work with you on the rating of the Rhinebridge SIV? 11:30:59 11:31:02
A Going back to what I was testifying before, I wouldn't necessarily say that she was directly involved in the rating of the Rhinebridge. She was part of what I would have called the SIV team in general, the SIV team. 11:31:05 11:31:07 11:31:10 11:31:13 11:31:17
Q In the second paragraph you state: "Now they have sent the op man and termsheet blacklined against Cheyne SIV." Does "op man" mean operations manual? 11:31:18 11:31:23 11:31:29 11:31:35
A That is correct. 11:31:37
Q And when you say "blacklined", what do you mean by that? 11:31:38 11:31:41
A I guess blacklined, it is the jargon to say that they presented something for the Rhinebridge highlighting what were the differences with the Cheyne SIV structure. 11:31:44 11:31:47 11:31:53 11:31:56
Q So if I understand your answer, they took the operations manual and termsheet from Cheyne and then made some changes to it and forwarded that to you as the initial draft for the Rhinebridge SIV. Is that correct? 11:31:59 11:32:02 11:32:06

manager operates the vehicle that in case were to be 11:48:20
breached, they would trigger some operation, some type 11:48:26
of operation, like limited operation or limited 11:48:32
investments or restricted funding, which are not in and 11:48:35
of itself let's say a concern or an issue for the senior 11:48:39
notes but they could be for the capital notes, and so 11:48:42
some of those tests, some of these operations can be 11:48:48
triggered or breached not necessarily by quantifiable 11:48:52
things but more, as I said, operational elements or 11:48:57
manager behaviour in some cases, and we would not feel 11:49:02
comfortable to make assumptions on those factors for 11:49:06
ratings as high as AAA and AA. We would not be 11:49:10
comfortable to make our own assumptions on how those 11:49:14
tests and operations would behave for not higher than in 11:49:16
single A creditworthiness level. 11:49:22

Q On the second page of this exhibit you 11:49:25
say: "One reason why we capped the rating of capital 11:49:27
notes at A is the presence of other soft defeasance 11:49:30
events." What do you mean by "soft defeasance events"? 11:49:34

A Sorry, tell me where you are reading? 11:49:38

Q Under "Preliminary thoughts", on the 11:49:43
second page. 11:49:45

A Yes. So this for example would be an 11:50:01
example what I was talking about, which is exactly that 11:50:04
when you look at capital notes sometimes we have to make

assumptions of whether the pool is going to change 11:50:13
dramatically over the life of the vehicle or not, and 11:50:17
since for capital notes themselves we wouldn't 11:50:24
necessarily make assumptions that the pool can 11:50:26
dramatically change from one day to the other, and this 11:50:29
is a qualitative, you can call it a qualitative position 11:50:34
that we take, that statement, we wouldn't be happy to 11:50:37
make it for AAA and AA levels, so that is exactly an 11:50:40
example of management behaviour linked to defeasance, 11:50:44
which is an operational mode which I was discussing 11:50:47
before. 11:50:52

Q In this case you make note that the 11:50:58
manager here is not -- and the managers is IKB CAM, is 11:51:01
that correct? 11:51:06

A Sorry, yes, "the managers", I would have 11:51:07
referred to IKB, yes. 11:51:10

Q And you indicate that IKB CAM is not an 11:51:11
experienced manager, is that correct? 11:51:14

MS KAMISON: Objection. 11:51:18

MR. RINGEL: Object to the form. 11:51:19

A I am saying that it is not an experienced 11:51:20
SIV manager, which is a fair statement because that was 11:51:22
the first SIV that they were intending to manage. 11:51:25

Q And how did the fact that this was the 11:51:32
first SIV that IKB CAM was going to manage affect your

view regarding the ratings of the Rhinebridge SIV? 11:51:44

A It is something that we did take into 11:51:56
consideration and, for example, this is a clear example 11:51:58
that the reason why we would have not been comfortable, 11:52:01
among other things, of not rating the capital notes 11:52:08
higher than single A in the general scheme of things, 11:52:13
one thing would have been the fact that the manager was 11:52:15
not an experienced manager in managing an SIV vehicle. 11:52:18

Q I would like you to go back to Exhibit 11:52:50
275. You previously mentioned there are areas of risk 11:52:52
that Standard & Poor's assesses in the rating process of 11:53:11
SIVs, and in particular the Rhinebridge SIV, and I 11:53:15
believe one of the areas of risk you mentioned is credit 11:53:20
risk. Is that correct? 11:53:22

MR. RINGEL: Objection to form. You may 11:53:23
answer. 11:53:25

A I think, as I was saying, there are 11:53:28
factors that we looked at, and the credit in that case I 11:53:29
guess I suppose the credit risk, the credit risk of the 11:53:34
portfolio would have been considered as one of the 11:53:38
factors. 11:53:40

Q Look at page ending in Bates number 583 of 11:53:44
Exhibit 275. At the left-hand column, towards the 11:53:51
bottom, there is a heading "Credit risk". That is the 11:53:58
same credit risk you are talking about, is that correct?

A Can I just read that part? 11:54:05

Q Sure. 11:54:10

A Yes, this talks a bit, it is a larger 11:54:34
concept but it does touch upon the credit risk of the 11:54:36
assets that I was mentioning. 11:54:39

Q In looking at the credit risk, I am sorry, 11:54:56
in the Rhinebridge SIV, what did Standard & Poor's 11:55:03
specifically address? 11:55:07

MR. RINGEL: I am sorry, may I have that read 11:55:11
back, please. 11:55:13

MR. CAPUTO: Isn't it on your screen? 11:55:16

MR. RINGEL: Yes. I want to make sure I know 11:55:17
what the question is. You started in one direction and 11:55:19
went in another. Why don't you just restate it so that 11:55:21
he has the question you want to ask in front of him. He 11:55:24
does not have a screen. 11:55:26

Q If you ever don't understand what I have 11:55:31
said, please ask me and I will be glad to repeat it. 11:55:34

A Okay. 11:55:38

Q My question was, in looking at the credit 11:55:39
risk, in regard to the Rhinebridge SIV, what did 11:55:41
Standard & Poor's specifically address? 11:55:46

A As I said, it would have been my 11:55:52
testimony -- I said the credit risk was basically 11:55:53
speaking of the portfolio, so not the credit risk of the

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vehicle, so the credit risk of the portfolio, the main 11:56:02
factors we would have looked at was the creditworthiness 11:56:08
of the assets that the vehicle was intending to invest 11:56:11
in. 11:56:14
Q How was that determined? 11:56:19
MR. RINGEL: Objection to form. You may 11:56:23
answer. 11:56:23
A The element that we would have look at in 11:56:30
order for us to look at the creditworthiness of the 11:56:33
assets would have been mainly the rating of those assets 11:56:35
as provided by the rating analysts who were rating those 11:56:39
assets. 11:56:42
Q Are you talking about the ratings that 11:56:53
these assets already had when they were acquired by the 11:56:55
Rhinebridge SIV? Is that correct? 11:56:58
MR. RINGEL: Objection to form. 11:57:00
A I am referring to the ratings that the 11:57:03
assets had when they would have entered into the 11:57:05
portfolio, yes. 11:57:08
Q Just so we are clear, when you are talking 11:57:09
about assets, you are talking about the various products 11:57:13
that were acquired to be collateral in the structure of 11:57:16
the SIV. Is that right? 11:57:21
MR. RINGEL: Objection to form. 11:57:24
A Yes, I would call the assets basically the

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investments probably is the best word to say, that the 11:57:28
vehicle would have made on the portfolio that was 11:57:33
supposed to back the notes. 11:57:34
Q And the ratings you were referring to, 11:57:44
those would be ratings by Standard & Poor's? 11:57:45
A That is correct. 11:57:50
Q And they would also be ratings by the 11:57:51
other credit rating agencies, is that accurate? 11:57:54
A In some instances, yes. 11:58:00
Q And a certain percentage of the portfolio 11:58:02
could be made up of assets that were not rated by 11:58:05
Standard & Poor's, is that correct? 11:58:08
A I have a vague recollection that I think 11:58:13
there was I think a small bucket limit of assets that 11:58:15
were not necessarily rated by S&P. 11:58:20
Q For the assets that were not rated by 11:58:27
Standard & Poor's, does Standard & Poor's just accept 11:58:32
the rating or does it do some further evaluation on 11:58:35
those assets? 11:58:38
MR. RINGEL: Object to the form. Foundation. 11:58:40
A I believe what again I have -- my 11:58:45
understanding is that for the assets that didn't 11:58:47
necessarily carry a public rating of S&P, there was a 11:58:51
small bucket where the manager could use to invest in 11:58:58
assets not rated publicly by S&P. Again I am not 100

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percent clear on that, but they would need to be 11:59:09
publicly rated by other agencies, and I believe we would 11:59:15
take what we would call a notch down from those ratings, 11:59:22
which I don't recall at this time what that would mean, 11:59:24
but we wouldn't have taken the rating as it was by the 11:59:31
other agencies. 11:59:35
Q When you say "notch down" in your answer, 11:59:41
what do you mean by that? 11:59:43
A Notch down is a general term to say that 11:59:46
if there was another agency that publicly was rating the 11:59:48
asset, and one agency was rating that AAA, another one 11:59:52
AA, for example, we have tended to go to the lowest of 11:59:57
the two, and out of that probably assume one or two 12:00:00
notches down. I don't particularly recollect the number 12:00:06
of notches but that is what I mean by that. 12:00:09
Q I just want to be clear, when you talk 12:00:12
about notches, what do you mean specifically by that? 12:00:14
A Notches, what I was saying before, that on 12:00:16
a rating category they are divided into modified plus, 12:00:18
no plus, minus and minus, so when you notch down it 12:00:22
means going one rating level lower. So one notch down 12:00:26
for AA would be AA minus, two notches down would be A 12:00:30
plus, in this case. 12:00:33
Q For those assets that were acquired 12:00:45
by the Rhinebridge SIV that had been previously rated by

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Standard & Poor's, was there some re-evaluation or 12:00:56
rerating of those assets -- 12:01:03
MR. RINGEL: Objection to form. 12:01:05
Q -- when the rating process for the SIV was 12:01:07
undertaken? 12:01:10
MR. RINGEL: Objection to form, lack of 12:01:11
foundation. You may answer. 12:01:13
A I am not aware of a rerating of those 12:01:16
assets. 12:01:18
Q For instance, if there was a 2005 CDO that 12:01:20
IKB CAM purchased for the Rhinebridge SIV, and it had 12:01:26
been rated previously by Standard & Poor's -- 12:01:30
A They had or they had not? 12:01:35
Q Had. 12:01:37
A Okay. 12:01:38
Q And then when your group was looking at 12:01:39
rating the SIV, they wouldn't do anything further by 12:01:41
rerating that particular CDO? 12:01:46
MR. ROCHE: Object to the form. 12:01:50
MR. RINGEL: Objection to form, lack of 12:01:51
foundation. 12:01:52
A So, as I said, if an asset was carrying a 12:01:54
public rating from S&P, we wouldn't have done further 12:01:58
work on the rating. 12:02:02
Q Was there any circumstance at all that

would warrant putting a previously rated asset that was 12:02:10
acquired for the Rhinebridge SIV into a new rating 12:02:18
process as part of the work done on the Rhinebridge SIV? 12:02:22
MR. RINGEL: Objection to form. 12:02:28
A You are asking if an asset was rated by 12:02:31
S&P, and if there was any reason why we would have done 12:02:36
a reanalysis of that rating, no, no I can't think of any 12:02:40
case. 12:02:45
Q Going back to Exhibit 275, under the 12:02:53
credit risk, it says that: "Standard & Poor's will 12:02:55
expect the SIV manager to adopt an approach that assumes 12:03:02
a level of default in rating migration during the wind 12:03:06
down period, commensurate with Standard & Poor's default 12:03:10
and migration studies, as well as an approach accounting 12:03:14
for asset correlation". 12:03:18
What were the particular default tables that were 12:03:23
used for the analysis for the rating of the Rhinebridge SIV? 12:03:25
MR. RINGEL: Objection to form. You left out 12:03:35
a few words in the quotation. 12:03:37
A So in rating the Rhinebridge SIV one of 12:03:41
the factors, as I said, would have been looking at the 12:03:45
credit risk of the portfolio, and one element of the 12:03:47
credit risk is the defaults or rating migration of the 12:03:52
assets. For that part we would have used or considered 12:03:55
the use of migration tables coming from the corporate

data that we had in-house. 12:04:10
Q What is the source of the corporate data 12:04:23
that you used to determine rating migration? 12:04:26
A I think the main source I think is a 12:04:33
database, which is an internal database called I think 12:04:38
Credit Pro, I think is the name. 12:04:44
Q And what is the source of the information 12:04:49
that is in the Credit Pro database? 12:04:51
A I am not an expert on that so I might tell 12:04:55
you not exactly all the data that goes in there. I know 12:04:59
for sure that what is in there is the rating information 12:05:01
on the ratings produced by S&P, I believe in the last 30 12:05:05
or 35 years, yes, so by that information, meaning the 12:05:10
ratings they were given, the transition and whether 12:05:16
those ratings defaulted or not and the timeframe that 12:05:19
that happened. 12:05:21
Q In determining the ratings migration for 12:05:25
the Rhinebridge SIV, your analysis was not limited 12:05:27
simply to like kind of assets such as CDOs or RMBS, is 12:05:32
that right? 12:05:39
MS KAMISON: Object to the form. 12:05:40
MR. ROCHE: Object to the form. 12:05:41
MR. RINGEL: Objection to form. 12:05:41
A You are saying for the ratings of the 12:05:42
assets in the SIV?

Q Yes. 12:05:46
A So I guess can you say your question 12:05:50
again, sorry. 12:05:53
Q For rating the Rhinebridge SIV, the rating 12:05:57
migration information you were using was not limited to 12:06:02
the same type of assets that were in the Rhinebridge 12:06:08
SIV. Is that correct? 12:06:11
MR. RINGEL: Objection to form. 12:06:13
A Okay, the main rating migration style of 12:06:16
database that we used for SIV, not just for Rhinebridge, 12:06:22
was that database that I mentioned, which was mainly 12:06:27
populated with corporate transition data because by 12:06:30
definition the corporate, the universe is bigger. Now, 12:06:38
I don't know exactly, as I said, how that database was 12:06:42
actually populated. 12:06:45
Q At the time of the rating of the 12:06:55
Rhinebridge SIV, 2006/2007, was there any analysis done 12:06:57
at Standard & Poor's to determine whether the rating 12:07:04
migrations data that was pulled from Credit Pro related 12:07:08
or how it related to assets such as those in the 12:07:17
Rhinebridge SIV? 12:07:23
MS KAMISON: Object to the form. 12:07:25
MR. RINGEL: Objection to form. 12:07:26
Q Let me ask it differently. As you 12:07:29
mentioned, most of the data in the Credit Pro database

was corporate data. Is that correct? 12:07:35
A That is my understanding, yes. 12:07:37
Q And most of the assets -- almost all the 12:07:38
assets in the Rhinebridge SIV were RMBS, CDOs, 12:07:44
residential mortgage related kind of assets. Is that 12:07:52
also correct? 12:07:57
MR. ROCHE: Object to the form. 12:07:58
MR. RINGEL: Object to the form. 12:07:59
Q What happened to one was good for all? 12:08:00
A The portfolio in Rhinebridge was invested, 12:08:04
you are right, in RMBS, CDO and CMBS that I recall. 12:08:09
Q And at that time did Standard & Poor's do 12:08:15
any study that looked at the adequacy of using ratings 12:08:17
migration from corporate data to measure ratings 12:08:21
migration in the kind of assets that were in the 12:08:25
Rhinebridge SIV? 12:08:28
MR. RINGEL: Objection to form. 12:08:29
A I can't really say if it was specific 12:08:33
data, but clearly both Credit Pro database would have 12:08:35
had rating migration of noncorporate assets, because 12:08:40
that was the database for rating transition and 12:08:43
defaults. We had surely studies that I think at least 12:08:48
were published on a yearly basis of rating transition 12:08:52
and defaults of all the ratings that we were producing, 12:08:55
and to answer your question, yes, the discussions of

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said it the way that I would say it. 12:25:38
Q In doing the rating of the Rhinebridge 12:25:41
SIV, either you or someone working with you applied what 12:25:43
are called default tables. Is that right? 12:25:53
MR. RINGEL: Objection to form. You may 12:25:57
answer. 12:25:59
A I wouldn't necessarily say we used default 12:26:00
tables. What we used for the credit part of the 12:26:03
analysis was a transition table that, you know, the goal 12:26:07
of the transition table would have been to simulate 12:26:16
movement of ratings that ultimately could bring to 12:26:20
default, but I don't think I would call it a default 12:26:24
table per se. 12:26:28
Q Looking again at document Exhibit 275, 12:26:32
page 583, it indicates that Standard & Poor's publishes 12:26:37
default and migration studies in the context of credit 12:26:46
risk. Were default studies used in doing the rating 12:26:51
analysis on the Rhinebridge SIV? 12:26:58
MR. RINGEL: Objection to form, in light of 12:27:00
the prior answer. You may answer. 12:27:02
A I guess what this part of the criteria 12:27:06
says is that, as we said, we looked at level of default 12:27:07
and rating migration commensurate with default and 12:27:13
migration studies. By that I mean that in order to come 12:27:16
up with our rating transition matrix we would have

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looked at the defaults and the migration studies 12:27:24
themselves, and come up with what we felt was the proper 12:27:27
transition matrix to use for our analysis. 12:27:32
Q When you said "levels of default" in your 12:27:38
answer, what were you referring to specifically? 12:27:40
A What I referred to is that, as I was 12:27:46
saying before, the rating transition matrix is a 12:27:48
starting point, which then leads to -- by definition, 12:27:51
the more transition you have, you might ultimately have 12:27:55
an asset that defaults, so that is what I tend to 12:27:58
differentiate, is that you have first the right rating 12:28:03
migration and then that brings to default, and you 12:28:07
wanted to make sure that the rating transition that we 12:28:10
apply does indeed produce level of default that we feel 12:28:12
comfortable with, and us getting comfortable with one of 12:28:16
the ways is clearly we look whether they are 12:28:20
commensurate to the actual default studies that we have 12:28:22
out there. 12:28:25
Q When you say "default studies" in your 12:28:36
answer, what are you referring to? 12:28:38
A I am referring to, for example, those 12:28:41
publications that we have on an annual basis, which are 12:28:44
just factual publication that list and indicate the 12:28:48
number of defaults that we had on a year by year basis, 12:28:52
different cohorts.

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Q What default studies were used in rating 12:28:58
the Rhinebridge SIV? 12:29:00
MR. RINGEL: Objection to form, assumes facts 12:29:02
not in evidence. 12:29:04
A What we used for the Rhinebridge SIV was a 12:29:07
transition matrix which we dust discussed before which 12:29:11
is a stressed transition matrix, so which was the same 12:29:14
matrix that we were using for all the SIVs, so we didn't 12:29:19
do any specific study, default studies as you said for 12:29:22
the Rhinebridge SIV. 12:29:28
Q Was the transition matrix that was used in 12:29:42
rating the Rhinebridge SIV the same transition matrix 12:29:47
that was used in rating the Cheyne SIV? 12:29:52
A Yes, it was the same component, yes. 12:29:56
Q Between the rating of the Cheyne case -- 12:30:01
sorry, between the rating of the Cheyne SIV and the 12:30:05
rating of the Rhinebridge SIV, were there any market 12:30:09
changes that would suggest that the transition should be 12:30:12
rated or should be viewed differently than it was viewed 12:30:18
through your transition data? 12:30:22
MR. ROCHE: Object to the form. 12:30:26
MR. RINGEL: Object to the form. 12:30:27
A Sorry, can you repeat the question, 12:30:29
please? 12:30:31
Q Sure. Between the time when the Cheyne

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SIV was rated and the rating of the Rhinebridge SIV, 12:30:34
were there any market changes that suggested that the 12:30:38
transition data you were using should somehow be 12:30:42
modified or changed? 12:30:46
MR. ROCHE: Same objection. 12:30:48
MR. RINGEL: Object to the form. 12:30:49
A No I am not aware of, no. 12:30:52
Q Was market changes that could affect 12:30:55
transition indications something that Standard & Poor's 12:30:56
tracked? 12:30:59
MR. ROCHE: Object to the form. 12:31:06
A As I said, we were publishing rating 12:31:07
transitions and default studies, so that is clearly 12:31:10
something that we were tracking. We didn't feel -- I am 12:31:15
not aware of reasons why there was any specific rating 12:31:19
transition or rating migration that made us think that 12:31:30
the stressed table that we were using was not the 12:31:34
appropriate one. 12:31:40
Q For the levels of default that you were 12:31:48
referring to, those were the same default levels that 12:31:51
were applied to rate the Cheyne SIV as the Rhinebridge 12:31:55
SIV. Is that correct? 12:31:58
MR. RINGEL: Objection to form. I think that 12:31:59
misstates the prior testimony. You may answer. 12:32:01
A As I was trying to explain before, we

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don't have specific level of default, so everything 12:32:07
stems from the rating migration, okay, and yes, that 12:32:10
rating migration table was the same in Cheyne and 12:32:14
Rhinebridge and the other SIVs. 12:32:18
Q And between the rating of the Cheyne SIV 12:32:33
and the rating of the Rhinebridge SIV, were there any 12:32:36
market changes that suggested that your rating process 12:32:40
was not sensitive enough to the potential level of 12:32:44
defaults for ABS securities? 12:32:48
MR. RINGEL: Object to the form. 12:32:51
MR. ROCHE: Object to the form. 12:32:53
A Not that I am aware of. 12:32:56
Q Again, that is something that 12:32:59
Standard & Poor's would track, is that correct? 12:33:02
MR. ROCHE: Object to the form. 12:33:06
MR. RINGEL: Object to the form. 12:33:07
A As I said, the only thing that I am aware 12:33:07
of that we would have tracked is the level or the number 12:33:10
of the rating migration and number of defaults that we 12:33:14
had, which was the basis of the annual study that we 12:33:16
would publish. 12:33:20
Q The annual study that you published, to 12:33:27
the extent that there were changes in that, that would 12:33:30
reflect Standard & Poor's recognition of changes in the 12:33:34
market that affected your previous determinations such

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as the transition migration. Is that correct? 12:33:43
MR. RINGEL: Objection to form. 12:33:47
A I guess it is a hypothetical question. 12:33:49
Yes, if we had been in a situation that we would have 12:33:52
witnessed a level of migration or level of default that 12:33:55
we considered particularly high, that could have 12:34:00
potentially made us think or consider whether the tools 12:34:04
that we were using or the tables that we were using were 12:34:08
correct or not correct, if we were comfortable with them 12:34:11
or not. 12:34:16
Q When you say the level of migration, as 12:34:18
you just did in your answer, and whether it was 12:34:22
particularly high, that may result in a reconsideration, 12:34:24
what did you mean by "particularly high"? 12:34:29
A I don't have a definition of what it 12:34:36
means, so I am just saying, you know, hypothetically 12:34:38
speaking, if we had seen, if we had witnessed certain 12:34:42
rating migration of default behaviours, that would have 12:34:46
been of concern to us, then, as we usually do, we would 12:34:50
have taken that into consideration. 12:34:55
Q I understand that. I am just trying to 12:34:58
determine what level has to change in order for it to be 12:35:00
a concern for Standard & Poor's. With that 12:35:05
understanding, I will ask my question again. What level 12:35:08
of change would be necessary for Standard & Poor's to

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recognize the need for a change, for instance, in the 12:35:16
rating migrations it was making? 12:35:19
MR. RINGEL: Objection to form, incomplete 12:35:22
hypothetical. 12:35:23
A It is not something that is defined 12:35:25
anywhere, so I cannot answer that question. 12:35:29
Q Who makes the determination that there is 12:35:32
sufficient change that Standard & Poor's needs to 12:35:34
change, for instance, its migration table? 12:35:40
MR. RINGEL: Object to the form, foundation. 12:35:43
A I cannot answer the question. There is no 12:35:47
specific person or body that does that. It is I guess 12:35:50
part of a body of analysts that we are that if there are 12:35:53
things in development of the markets that could be a 12:35:57
concern to us, we would take that into consideration. 12:36:00
Q When Standard & Poor's publishes its 12:36:06
annual statement related to rating migration, for 12:36:09
instance, I take it that there is some process by which 12:36:13
changes to that are reviewed internally at 12:36:18
Standard & Poor's. Is that right? 12:36:22
MR. RINGEL: Objection to form. 12:36:23
A As I said, I am just aware of the fact 12:36:28
that we publish a study. To me, my understanding, I am 12:36:31
not an expert on that, I am not the person who produced 12:36:34
that, I am not part of the team who produced that, but

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my understanding is it is more like a factual 12:36:38
publication, i.e. no more than that. This is the number 12:36:41
of defaults and migration that we had in the past year. 12:36:44
I am not aware of anything else that goes into it more 12:36:47
than the factual statement. 12:36:51
Q So I take it from your answer that even 12:36:57
though Standard & Poor's does sometimes make changes 12:36:59
that it publishes, you are not aware of what is involved 12:37:03
in the process of approving those changes. Is that 12:37:08
correct? 12:37:10
MR. RINGEL: Objection to form. I think that 12:37:11
misstates the testimony. You may answer. 12:37:12
A What I am saying is that, as I said, since 12:37:15
the beginning there is a study that we make. Again, I 12:37:18
am not producing the study, I am not part of producing 12:37:22
the study. My understanding, but again I am probably 12:37:24
not the best person to talk about that, is it is a 12:37:27
factual statement of things that have happened. So when 12:37:29
you say "change", it is just publication from one year 12:37:31
to the other. What I was saying, generally speaking, 12:37:36
outside that, it is not necessarily linked to that, if 12:37:40
we as S&P were to see or witness things in the market 12:37:45
that makes them uncomfortable or concerned in some of 12:37:50
our assumptions that we use in our ratings might not be 12:37:53
appropriate anymore, it is plausible that we will take

those into consideration. 12:37:59
Q What kind of change would have to occur 12:38:11
for rating migrations for Standard & Poor's to be 12:38:12
uncomfortable with whatever its rating migration table 12:38:16
is at that time? 12:38:20
MR. RINGEL: Objection to form. 12:38:22
MR. ROCHE: Object to the form. 12:38:23
A I think I have replied to that already. I 12:38:26
said there is not as far as I know a specific number or 12:38:28
threshold or magnitude of movements that would, you 12:38:31
know, cut the definition whether to look at it or not, 12:38:35
so I cannot answer that question. 12:38:39
Q So, it is not necessarily a quantitative 12:38:42
question in order to determine whether a change is 12:38:47
needed. Is that right? 12:38:51
MR. RINGEL: Objection to form you may answer. 12:38:53
A As I am trying to say, all the decision or 12:38:56
the discussions that we have, yes, there is never one 12:38:59
factor, either qualitative or quantitative, that is just 12:39:02
the only thing. There are many things that we take into 12:39:05
consideration overall. 12:39:08
Q The criteria that we have been looking at 12:39:12
on 275 also indicates that asset correlations are looked 12:39:15
at relative to assessing credit risk. Is that correct? 12:39:21
A Yes, asset correlation, it would be a

factor that is used in our analysis, we look at rating 12:39:29
migration and defaults. 12:39:35
Q And what is specifically meant by "asset 12:39:39
correlations", and particularly as it relates to the 12:39:41
Rhinebridge SIV? 12:39:43
A Assets correlation, again I am not a 12:39:48
quant, so my understanding of asset correlation is a 12:39:51
factor in our analysis that defines what is the 12:39:56
likelihood that two ratings of two assets might move 12:40:06
together over time and ultimately but not necessarily 12:40:11
default over time. So that is the best definition I can 12:40:15
give you for asset correlation. 12:40:21
Q And those correlations relate to movement 12:40:24
within a particular group of assets, is that right? 12:40:26
MR. RINGEL: Objection to form. You may 12:40:31
answer. 12:40:32
A It depends, but we have asset correlation 12:40:35
sometimes only for within one sector or across sectors, 12:40:39
yes. 12:40:44
Q So the asset correlations that were 12:40:44
involved in the rating of the Rhinebridge SIV involved 12:40:47
both correlations within an assets class as well as 12:40:52
between asset classes. Is that correct? 12:40:57
A My understanding, my recollection is that 12:41:02
for the Rhinebridge SIVs we had an assumption of asset

correlation which was the same across all the assets. 12:41:10
Q And what was the assumption of the asset 12:41:15
correlation for the Rhinebridge SIV? 12:41:21
A I don't have 100 percent recollection. I 12:41:27
believe it was between 0.1 or 0.2, I don't recall. 12:41:29
Q And that was the same asset correlation 12:41:37
assumption that was used to rate the Cheyne SIV. Is 12:41:41
that right? 12:41:44
A That is my understanding, yes. 12:41:45
Q Between the time of the rating of the 12:41:50
Cheyne SIV and the rating of the Rhinebridge SIV, in 12:41:51
2007, were there any market changes that suggested that 12:41:57
the correlation assumption used to rate the Rhinebridge 12:42:03
SIV was not appropriate, not accurate? 12:42:09
MR. ROCHE: Object to the form. 12:42:17
MR. RINGEL: Object to the form. 12:42:18
A Not that I know of. 12:42:18
Q The criteria go on to mention measures of 12:42:42
market risk involved in the SIV rating process. What 12:42:46
was measured relative to market risk in the Rhinebridge 12:42:51
SIV? 12:42:55
A What we would define as market risk 12:43:00
generally speaking for SIVs and for the Rhinebridge SIV 12:43:04
was risk associated to price movements, price movements 12:43:06
of the underlying assets, but also interest rates or FX

movements, in case the assets were denominated in a 12:43:22
different currency than the currency of the liabilities. 12:43:29
Q Relative to Rhinebridge, how were the 12:43:38
price movements in underlying assets analyzed? 12:43:40
MR. RINGEL: Objection to form. 12:43:43
A Sorry, can you repeat the question? 12:43:48
Q Sure. Relative to Rhinebridge, how were 12:43:50
the price movements in the underlying assets analyzed? 12:43:53
MR. RINGEL: Same objection, vague and 12:43:57
ambiguous. You may answer. 12:43:58
A The way I would say is that we did an 12:44:01
analysis of price changes in price movements that made 12:44:04
into, you know, the capital matrices that we were using, 12:44:13
so the capital matrices that we were using for the 12:44:16
senior note ratings, embedded into that capital matrix 12:44:20
there would have been an analysis of market devaluation 12:44:24
of the assets. 12:44:31
Q So, if I understand your answer, the 12:44:35
formula that was used to determine -- that was used in 12:44:38
the capital matrix embraced the potential movements of 12:44:47
the underlying assets? 12:44:51
MR. RINGEL: Objection to form. 12:44:53
A Would embrace, I guess, the level of 12:44:57
market depreciation, that assets in that particular 12:45:00
sector, you know, sorry, that we were comfortable to

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take into consideration for those assets in our analysis 12:45:11
on the senior notes. 12:45:14
Q Is the capital matrices a table or is it a 12:45:26
formula? 12:45:29
A It is a table. It is a matrix, basically. 12:45:32
Q And what is the capital matrix that was 12:45:38
used to rate the Rhinebridge SIV or in the rating of the 12:45:40
Rhinebridge SIV? 12:45:46
MR. RINGEL: Objection to form. You may 12:45:47
answer. 12:45:47
A You are asking what it was or -- 12:45:49
Q Yes. How would you identify it? 12:45:51
A Okay. It is basically a double entry 12:45:54
matrix, which has ratings on one as one factor and tenor 12:45:59
on the other factor, and it is populated by percentages 12:46:05
which are called capital charges, and then you would 12:46:08
have different matrices for different asset classes. 12:46:10
Q And the capital matrix that was used to 12:46:22
rate the Rhinebridge SIV was the same capital matrix 12:46:24
that was used to rate at Cheyne SIV? 12:46:27
MR. RINGEL: Objection to form. 12:46:29
A The capital matrix, first of all, would be 12:46:32
one input that we used for our analysis and -- I don't 12:46:34
know number by number but my recollection is yes, that 12:46:37
they were the same.

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Q Was there any market change between the 12:46:46
rating of the Cheyne SIV and the rating of the 12:46:47
Rhinebridge SIV that suggested that the capital matrix 12:46:51
that was used was not appropriate and should be changed? 12:46:58
MR. ROCHE: Object to the form. 12:47:02
MR. RINGEL: Objection to form. 12:47:03
A No. 12:47:04
Q Are the capital charges sometimes referred 12:47:10
to as haircuts? 12:47:12
A I would not usually use that term. I 12:47:17
might have but usually I try to call them capital 12:47:23
matrices, sorry, capital charges. 12:47:27
Q What was done in rating the Rhinebridge 12:47:34
SIV to assess the interest rate risk that you identified 12:47:37
as one of the market risk considerations? 12:47:41
A For the interest and market value risk, 12:47:51
usually the way that the structure tries to look at the 12:47:53
interest rate in FX risk is through so-called market 12:48:04
sensitivity tests. Market sensitivity tests are 12:48:08
supposed to be tests whereby the vehicle itself would 12:48:12
tend to run what is called in jargon a market neutrality 12:48:18
level, i.e. that the assets tend to be fully hedged to 12:48:24
make sure that there is no market risk or interest rate 12:48:28
risk. The hedge sometimes might be not 100 percent 12:48:31
hedged, and in that case there is a specific test that

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makes sure that if it is not 100 percent hedged, which 12:48:40
does not hopefully occur, the change of interest rates 12:48:48
and FX movement should not create more than 30 BIPs 12:48:53
change in market value of the assets, so that is more a 12:48:57
test that is used in order to, let's say, make sure that 12:49:00
the SIV is not exposed to interest rates or FX 12:49:05
movements. 12:49:09
Q Were the sensitivity tests used for 12:49:14
tracking the interest rate changes the same as the -- 12:49:17
were the sensitivity tests used for tracking interest 12:49:25
rate changes in Rhinebridge the same as those used in 12:49:28
the Cheyne ratings? 12:49:31
MR. RINGEL: Objection to form. 12:49:33
A I believe the tests themselves were the 12:49:36
same, I think so. 12:49:38
Q And was the sensitivity thresholds set the 12:49:41
same between those tests? 12:49:44
MR. RINGEL: Objection, form, foundation. 12:49:49
A I seem to recall that they would be the 12:49:51
same, yes. 12:49:53
Q Between the time of the rating of the 12:50:00
Cheyne SIV and the Rhinebridge SIV, were there any 12:50:02
market changes that suggested that there needed to be 12:50:04
adjustment to the thresholds for the sensitivity tests 12:50:09
used to measure interest rate changes?

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MR. ROCHE: Object to the form. 12:50:16
MR. RINGEL: Object to the form. 12:50:16
A No. 12:50:17
Q I take it that ultimately 12:50:22
Standard & Poor's was comfortable with the hedges that 12:50:28
Rhinebridge offered relative to the interest rates, is 12:50:35
that correct? 12:50:40
MR. RINGEL: Objection to form, foundation. 12:50:41
A I think we ultimately were comfortable 12:50:44
that the overall mechanism of dealing with interest 12:50:47
rates and FX movements was something that we were 12:50:50
comfortable with. 12:50:53
Q Looking at 275 again, under "Market Risk" 12:51:09
the last paragraph or the last sentence: 12:51:14
"Standard & Poor's expects to see market value 12:51:18
decline calculations appropriate for all the assets that an 12:51:20
investment manager may consider for its SIV." 12:51:25
Were there market value decline calculations 12:51:28
presented to Standard & Poor's regarding the Rhinebridge 12:51:32
SIV? 12:51:35
A I believe this is a general statement to 12:51:43
say that we would expect that the market value declines 12:51:46
that are modeled or assumed in the vehicle and that 12:51:50
sometimes can be captured by capital charges sometimes 12:51:55
can be captured by simulation model, yes, they were

there is an addition of all the amount of capital that 14:02:20
is needed for each asset that makes the capital for the 14:02:23
entire portfolio. 14:02:27
(Exhibit P280 marked for identification) 14:02:27
Q I am going to mark as Exhibit 280 a 14:02:47
document with the Bates number S&P-IKB 0011842 through 14:02:50
874. My question as you look at this is what is this 14:03:01
document? 14:03:43
A This would be what we call the ramp that 14:03:51
was presented to the committee for Rhinebridge SIV. 14:03:54
Q What are you referring to when you say 14:04:00
"the ramp"? 14:04:01
A Ramp is a term that we use which defines 14:04:04
the paper or the memo that is produced in the committee 14:04:07
and the discussions that the rating is based upon. 14:04:14
Q This document is dated March 22, 2007, is 14:04:19
that right? 14:04:23
A That is right. 14:04:23
Q Did you prepare this document? 14:04:24
A I believe yes, I prepared, yes, all of it, 14:04:35
yes. 14:04:41
MR. RINGEL: Once again, I note that there was 14:04:43
an e-mail that was part of the document as originally 14:04:45
produced, and I would ask if you are able to provide 14:04:47
that.

MR. CAPUTO: I can only tell you that the 14:04:52
document was copied as it was produced to me. If there 14:04:55
is something else on it, it is not on this version. 14:04:57
MR. RINGEL: I will object. With that in 14:05:00
mind, you may continue your examination. 14:05:02
Q The top third of the page there is a note, 14:05:10
it says: 14:05:12
"Due to technical problems we cannot blackline 14:05:17
this ramp to Cheyne SIV, of which this vehicle is a copycat, 14:05:20
both in terms of structure and modeling." 14:05:25
Again, what was the reference to the blacklining 14:05:28
in this regard? 14:05:30
A I guess, in this regard, again I was 14:05:34
presenting this vehicle, and as I said before there were 14:05:37
a number of similarities with the Cheyne vehicle, so my 14:05:40
intention at the beginning was to produce a document 14:05:45
that could have easily shown the difference with the 14:05:48
Cheyne vehicle, which usually I would have done for a 14:05:52
blackline. By blackline I mean cross out the stuff that 14:05:56
did not apply and add the things that did apply. For 14:06:00
whatever reason I remember I could not do it. Probably 14:06:02
I am not the best person to use Word, and so I ended up 14:06:05
producing this paper, but still trying to highlight the 14:06:10
parts that were different. 14:06:14
Q And you note those parts -- you say:

"As a summary, the only points that are different 14:06:18
from Cheyne SIV are" and then you list three points: "The 14:06:20
presence of senior capital notes that we have refused rated 14:06:24
AAA, whereas they will be AAA both from Fitch and Moody's." 14:06:30
Then the second point was: "HEL portfolio limit and 14:06:37
appointment of the Enforcement Manager." 14:06:45
So those are the differences between the Cheyne 14:06:49
SIV and the Rhinebridge SIV, is that correct? 14:06:51
MR. RINGEL: Objection to form. 14:06:54
A As I recall, back then this would be the 14:06:56
three main ones that I would have wanted the committee 14:06:58
to get attention to in the first page. 14:07:02
Q I would like you to look at the page that 14:07:16
ends in Bates number 869, at the end of the document. 14:07:20
What do those charts on 869 and the following pages -- 14:07:34
what are they? 14:07:40
MR. RINGEL: Objection to form. Compound. 14:07:43
A Those represent the capital matrices 14:07:49
applied to the assets of the portfolio. 14:07:53
Q And these are the capital matrices we have 14:08:01
been talking about relative to determining the capital 14:08:03
levels. Is that correct? 14:08:08
A Yes, the ones that would be one input to 14:08:09
define the capital, yes. 14:08:12
Q And these capital matrices on the pages we

have just referenced, those are the same as the capital 14:08:16
matrices in the Cheyne SIV, is that correct? 14:08:19
MR. RINGEL: Objection to form. You may 14:08:22
answer. 14:08:24
A It is my recollection they would have been 14:08:26
the same, yes. 14:08:27
Q Was there anything between the rating of 14:08:32
the -- strike that. 14:08:33
Was there any market events between the rating of 14:08:35
the Cheyne SIV and the rating of the Rhinebridge SIV that 14:08:37
suggested that the use of these capital matrices was no 14:08:40
longer warranted? 14:08:43
MR. ROCHE: Object to the form. 14:08:45
MR. RINGEL: Object to the form. 14:08:46
A Not that I am aware of, no. 14:08:49
Q Was there any information that 14:08:50
Standard & Poor's had that suggested that since the 14:08:51
rating of the Cheyne SIV these capital matrices would no 14:08:57
longer result in appropriate ratings? 14:09:01
MR. ROCHE: Object to the form. 14:09:04
MR. RINGEL: Object to the form. 14:09:04
A No. 14:09:05
Q I would like you to look at the page 14:09:26
ending in 859. In the middle of the page there is a 14:09:28
paragraph that begins: "We went through their

Finance Ratings, Monthly Review Meeting, March 19, 16:19:30
2007." You see that? 16:19:34
A Yes. 16:19:36
Q And you have never seen this document 16:19:36
before? 16:19:38
A No. 16:19:40
Q This particular document talks about 16:19:44
"Overview and impact of the residential sub-prime 16:19:46
market". Is that correct? 16:19:50
A That is what the title says. 16:19:53
Q If you look at the -- essentially every 16:20:03
page, it says that: "This document contains proprietary 16:20:08
and confidential information and is for 16:20:11
Standard & Poor's employees." Do you see that? 16:20:13
A Yes. 16:20:16
Q But you don't recall ever seeing this 16:20:17
document, is that right? 16:20:19
A That is right. 16:20:20
Q Would it be the practice in the structured 16:20:25
finance rating group at Standard & Poor's in this 16:20:28
timeframe, 2007, to keep track of matters that affected 16:20:31
structured finance ratings within Standard & Poor's? 16:20:39
MR. RINGEL: Objection to form. 16:20:42
A To answer your question, I don't have an 16:20:48
understanding that there would be a formal meeting or

anything like that. I suppose each asset class would 16:20:54
have looked at their own asset class, you know, in 16:20:59
whatever form they thought was the best way of doing it. 16:21:05
Q Are you surprised, as one of the leading 16:21:08
analysts on structured finance ratings, that you 16:21:11
apparently did not receive an overview on impact of 16:21:16
residential sub-prime market that was specifically 16:21:21
directed at structured finance ratings? 16:21:24
MR. RINGEL: Objection to form. 16:21:26
A To correct, I was lead analyst for the 16:21:31
Rhinebridge SIVs and I was part of the CDO and SIV team, 16:21:33
which is one subsect of structured finance rating. I 16:21:37
have not seen this document. This seems to be 16:21:41
referencing, at least by the title, the residential 16:21:43
sub-prime market, which I would have expected probably 16:21:48
had been produced for the RMBS group. 16:21:51
Q However, you in your group were making 16:22:12
decisions all the time in rating SIVs regarding 16:22:15
residential sub-prime issues. Correct? 16:22:20
MR. RINGEL: Objection to form, foundation. 16:22:26
A As I explained, one of the factors that we 16:22:30
would use for our rating analysis of the SIVs would have 16:22:32
been the creditworthiness of the assets in the 16:22:36
portfolio, and that would have been expressed by the 16:22:39
rating of those assets which we were getting from our

colleagues in the RMBS group. 16:22:46
Q I see. So once you received the rating, 16:22:51
that is where it stood. You didn't have anymore -- 16:22:53
strike that. There was still a surveillance function 16:23:00
that stayed with your group after you would rate a SIV, 16:23:03
is that right? 16:23:06
A The surveillance of the SIVs would have 16:23:09
been part of the work done by the SIV group, yes. 16:23:11
Q Looking at the page ending in 467, which 16:23:17
is the presentation overview, it says: "The sub-prime 16:23:22
residential mortgage market is attracting considerable 16:23:30
attention amid mounting delinquencies and defaults. In 16:23:34
particular, sub-prime originated in 2006 that has been 16:23:38
out there for a year is experiencing more financial 16:23:42
difficulties than loans from previous vintage years." 16:23:44
In doing your work with the rating of the 16:23:50
Rhinebridge SIV, were you aware of this information? 16:23:54
MR. RINGEL: Objection to form. You may 16:23:58
answer. 16:23:59
A As I said, I don't recall receiving or 16:24:00
discussing this particular paper, but it is fair to say 16:24:06
that that particular point, i.e. that there were some 16:24:08
considerations that even S&P was doing on a particular 16:24:13
sector linked to the residential mortgages, in 16:24:17
particular the 2006 vintage and the lower rated tranches

of those vehicles, yes, I was aware, generically aware 16:24:25
of that. I know there were being publications of 16:24:29
articles talking about that issue, so I was aware from 16:24:33
that point of view, yes. 16:24:38
Q Was there anything about the information 16:24:42
that was available to Standard & Poor's regarding the 16:24:44
sub-prime market that suggested that Standard & Poor's 16:24:47
approach to rating matters containing sub-prime assets 16:24:52
was not properly considering the actual risks those 16:24:59
assets were facing? 16:25:02
MR. RINGEL: Objection to form. 16:25:04
A No, as I said, I am aware of publications 16:25:07
where issues surrounding some vintages and some ratings 16:25:11
were discussed, even by S&P. 16:25:16
Q But there is nothing from your perspective 16:25:21
that suggests that there should be some concern about 16:25:24
the approach that S&P had towards rating assets that 16:25:27
contained sub-prime residential mortgages? 16:25:32
MR. RINGEL: Objection to form. 16:25:36
A That is correct. 16:25:37
Q The third bullet point says: 16:25:45
"Numerous sub-prime lenders, such as New Century 16:25:47
are facing financial difficulties, but larger more 16:25:51
diversified firms, such as HSBC Holdings, have also been 16:25:55
negatively impacted."

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Was the origination by various sub-prime lenders 16:26:04
something that was considered in doing the ratings of the 16:26:11
Rhinebridge SIV? 16:26:16
MR. RINGEL: Objection to form, the predicate 16:26:18
to the question. 16:26:19
A No, the answer to the question is no. 16:26:22
Q Was there any concern within 16:26:26
Standard & Poor's at the time of the Rhinebridge SIV 16:26:28
rating that the failures by various originators of 16:26:31
sub-prime loans was having an effect on the actual risk 16:26:37
those loans were facing that were not being captured by 16:26:44
the rating process? 16:26:48
MR. RINGEL: Objection to form. 16:26:50
A No, I am not aware of those things having 16:26:54
an impact on our thinking on the process. 16:26:57
Q Standard & Poor's monitors the work its 16:27:10
competitor rating agencies does, is that right? 16:27:13
MR. RINGEL: Objection to form, vague and 16:27:16
ambiguous. 16:27:21
A I am not aware if that is something that 16:27:21
is formally done. It surely is something that I don't 16:27:24
do. 16:27:27
Q I understand that, but Standard & Poor's 16:27:27
has a competitor intelligence group that monitors what 16:27:29
its competitor rating agencies do. Isn't that correct?

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A I am not aware of any such team within 16:27:38
S&P. 16:27:43
(Exhibit P291 marked for identification) 16:27:43
Q You are aware that the other rating 16:27:56
agencies were looking at matters involving sub-prime 16:28:00
residential mortgages in the 2007 timeframe? 16:28:03
MR. RINGEL: Objection to form, vague and 16:28:06
ambiguous. 16:28:07
A No, I didn't have a specific understanding 16:28:08
or recollection of that. 16:28:12
Q I am going to mark as Exhibit 291 a 16:28:13
document with Bates number IKB003786060 through 067. 16:28:15
This is a comment by Moody's Investors Services dated 16:28:39
March 23, 2007. 16:28:42
MR. RINGEL: Would you give us a moment. We 16:28:45
have not got the document yet. 16:28:46
Q I am sorry. 16:28:49
A Sorry, the question again? 16:29:14
Q This is a comment by Moody's Investor 16:29:18
Services dated March 23, 2007, is that right? 16:29:20
A That is what it says here, yes. 16:29:23
Q And this comment is entitled: "The impact 16:29:25
of sub-prime residential mortgage backed securities on 16:29:30
Moody's-rated structured finance CDOs: A preliminary 16:29:34
review". Do you have some knowledge of how the other

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rating agencies were rating structured finance assets 16:29:43
such as CDOs -- 16:29:48
MR. ROCHE: Object to the form. 16:29:51
Q -- at the time of the rating of the 16:29:51
Rhinebridge SIV in 2007? 16:29:53
MR. ROCHE: Object to the form. 16:29:55
MR. RINGEL: Object to the form, vague and 16:29:56
ambiguous. 16:29:57
A I have to say that I have a very, very 16:29:58
generic understanding. 16:30:02
Q Looking at the bottom line of the 16:30:13
introduction summary, it says: 16:30:17
"Based on our testing, we found that the effects 16:30:19
were generally mild to moderate in cases where sub-prime 16:30:22
RMBS exposure was low or even approached the observed 16:30:27
average of 45 percent. But in cases where the concentration 16:30:31
levels were higher, the potential downgrade impact on SF", 16:30:37
which I believe means structured finance "CDO notes was 16:30:41
severe, in some cases ten or more notches". 16:30:46
Was there information available to 16:30:50
Standard & Poor's at this time that confirmed the 16:30:53
conclusions in this Moody's report? 16:30:56
MR. RINGEL: Objection to form. 16:30:59
A No, I am not aware of specific studies on 16:31:03
that.

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Q Did these results from this investigation 16:31:07
by Moody's suggest to Standard & Poor's that their 16:31:09
approach to rating structured finance assets, such as 16:31:13
CDOs, was not properly considering the actual risk those 16:31:17
structured finance assets were facing? 16:31:20
MR. RINGEL: Objection to form, foundation, 16:31:24
vague and ambiguous. 16:31:26
A I don't see that there is a reference to 16:31:30
S&P here. 16:31:33
Q There is no reference to S&P there. 16:31:33
A I thought you said that this was showing 16:31:36
that S&P or something -- 16:31:38
Q I said do these results from this 16:31:40
investigation by Moody's suggest to Standard & Poor's 16:31:42
that their approach to rating structured finance assets, 16:31:46
such as CDOs, was not properly considering the actual 16:31:48
risk those structured finance assets were facing? 16:31:53
MR. ROCHE: Object to the form. 16:31:58
MR. RINGEL: Same objections. 16:31:58
A No. 16:31:59
Q I am going to mark as Exhibit 292 a 16:32:42
document with Bates number S&P-IKB 1966909 through 950. 16:32:44
(Exhibit P292 marked for identification) 16:32:57
This should be a fairly easy read, 16:33:29
Mr. Guadagnuolo.

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A I can see. 16:33:33
Q There is a lot we were not supposed to 16:33:36 know about this Chairman's report here. I address your 16:33:37 attention to the third page of the document that ends in 16:33:42 913, but first, this is the June 2007 report from the 16:33:46 Board of Directors of the McGraw-Hill companies. Is 16:33:58 that correct? 16:34:03
A That is what it seems to say on the front 16:34:04 page. 16:34:06
Q You have seen the Board of Directors 16:34:07 reports from McGraw-Hill, the parent of 16:34:09 Standard & Poor's, is that correct? 16:34:12
A No. 16:34:14
Q You don't have any reason to believe this 16:34:18 is not a copy of the Board of Directors report for 16:34:19 June 2007, do you? 16:34:23
A There is not much in there but I guess the 16:34:26 title suggests that it is. 16:34:27
Q At that Board of Directors meeting, in the 16:34:33 minutes, it was noted on page 3: "Unfortunately, growth 16:34:35 is not expected to remain that strong in the second half 16:34:39 due to continued problems in the housing market." Was 16:34:43 that information that was generally available within 16:34:48 Standard & Poor's? 16:34:51
MR. RINGEL: Objection to form.

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MR. ROCHE: Object to the form. 16:34:58
A No, at least it was not available to me. 16:35:00
Q It goes on to say: "Existing home sales 16:35:02 continue to fall. The meltdown in the sub-prime 16:35:04 mortgage market will increase both foreclosures and the 16:35:07 overhang of homes for sale, while the resulting stricter 16:35:10 lending standards are placing a new drag on demand. The 16:35:15 bottom line is that housing is expected to get worse 16:35:19 this year before it turns around in 2008." 16:35:22
Was that information that was generally understood 16:35:26 regarding the sub-prime market within Standard & Poor's at 16:35:29 this time, June 2007? 16:35:33
MR. RINGEL: Objection to form. 16:35:36
A As I said before, there were papers 16:35:39 produced by S&P ratings talking about the housing 16:35:44 market. In that case there were discussions about 16:35:48 whether a certain condition or situation would have or 16:35:52 could have possibly impacted some vintages of some 16:35:59 ratings, especially below the capital structure, but I 16:36:02 have not seen comments in this particular form, and also 16:36:06 I suppose this talks about again McGraw-Hill, I suppose 16:36:10 probably it was talking the McGraw-Hill in general and 16:36:16 not just only ratings, just a part of it. 16:36:20
Q I understand that, but is the fact that 16:36:23 those comments were something that were of such

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significance that they became a matter of the minutes of 16:36:28 the Board of Directors of the parent company for 16:36:31 Standard & Poor's something that suggests that the real 16:36:35 risk that ABS was facing at this time was something that 16:36:41 should be more directly assessed through the rating 16:36:48 process? 16:36:54
MR. RINGEL: Objection to form. Also 16:36:56 objection to the characterization of the document. 16:36:57
MR. ROCHE: Object to the form. 16:36:59
A It doesn't specifically talk about 16:37:01 structured finance. I guess it is talking about the 16:37:02 housing market, which clearly is a big market and can 16:37:05 have an impact on pretty much everything. 16:37:08
Q In July 2010, Standard & Poor's put 612 US 16:37:21 sub-prime RMBS classes on negative credit watch. Is 16:37:25 that correct? 16:37:30
MR. RINGEL: Objection to form. You might 16:37:31 want to look at the date you used, the date of your 16:37:32 question. 16:37:38
Q July 10, 2007, sorry. 16:37:43
MR. RINGEL: Do you want to reframe the 16:37:49 question so he has it all at once? 16:37:49
Q In July 2007 Standard & Poor's put 612 US 16:37:56 sub-prime RMBS classes on negative credit watch. Is 16:38:03 that correct?

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A That is my understanding, yes. 16:38:08
Q Did that -- strike that. Was there a 16:38:14 discussion within the structured finance rating group 16:38:19 about the significance of so many sub-prime RMBS classes 16:38:22 being put on negative credit watch at the same time? 16:38:28
MR. RINGEL: Objection to form. 16:38:33
A I seem to have a recollection that there 16:38:37 were discussions around the fact that a rating action 16:38:39 like that one was about to happen. Clearly, like all 16:38:45 ratings actions that we take, we were looking at it, 16:38:52 looking at that, and what that would have meant as an 16:38:56 impact to in particular the SIVs that we were looking 16:38:59 at. I also remember that once those downgrades 16:39:01 occurred, and I think it was a mixture of downgrades and 16:39:07 watch placement, we looked at our vehicles or the SIVs, 16:39:11 it clearly was also Rhinebridge, to make sure whether 16:39:16 those assets were in the portfolio, and I think it 16:39:20 turned out that none of them were in the portfolio that 16:39:23 Rhinebridge had at that time, or even afterwards. 16:39:26
Q Independent of the presence or absence of 16:39:32 these assets in the Rhinebridge portfolio, does the 16:39:33 massive downgrading of so many RMBS classes suggest that 16:39:37 the ratings at Standard & Poor's were not capturing the 16:39:43 actual risk that these classes were facing? 16:39:47
MR. RINGEL: Objection to form.

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paragraph in the middle: 16:46:52
"However, given the new underwriting standards, 16:46:56 historical data was no guide, since almost half of the 16:46:58 sub-prime loans made for house purchases in 2006 were either 16:47:03 low or no doc loans. This is from Bear Stearns." Was that 16:47:09 Standard & Poor's understanding at that time? 16:47:16
MR. RINGEL: Objection to form. I think this 16:47:20 may be beyond the scope. I will permit him to answer 16:47:22 but I think he is answering in his personal capacity. 16:47:24
A No, I don't know. 16:47:33
Q She goes on to say: 16:47:38
"This implies a gigantic amount of fraud was being 16:47:40 perpetrated, which does defy common sense. This also 16:47:43 implies not only that the default rates would be much higher 16:47:48 than historical data but correlation of mortgage defaults 16:47:50 would be higher too, as the entire market was underwriting 16:47:55 with weaker credit standards." 16:47:59
Again, was that something that at this time 16:48:03 Standard & Poor's understood to be the case? 16:48:06
MR. RINGEL: Same objection as to beyond the 16:48:09 scope. Again, he has testified in his personal 16:48:12 capacity. I will permit him to answer. 16:48:15
MR. CAPUTO: I take exception, but I am not 16:48:18 going to fight on the record. I am not going to waste 16:48:19 time.

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A Personally, no, I didn't know any of this 16:48:22 that Belinda is referring to. 16:48:24
Q So in doing your work in rating structured 16:48:27 finance vehicles, in 2007, you were unaware that the 16:48:30 likelihood that default rates would be much higher than 16:48:38 historical data and the correlation of mortgage defaults 16:48:41 would be higher too because the market was underwriting 16:48:45 with weaker credit standards? 16:48:48
MR. ROCHE: Object to the form. 16:48:51
MR. RINGEL: Objection to form, given the 16:48:52 date. 16:48:54
A First of all, I think, just to correct, 16:48:56 rating structured investment vehicles I guess what you 16:48:58 meant, and no, I didn't have an understanding about 16:49:00 that. 16:49:05
Q She concludes by saying: "The lack of 16:49:16 underwriting standard, the speed at which the RMBS 16:49:18 issuance increased and such should have tipped us that a 16:49:20 higher level of defaults and correlation would follow." 16:49:26
Was there an understanding at Standard & Poor's at 16:49:29 that time that that in fact was the case? 16:49:31
MR. RINGEL: Objection to form. Same 16:49:35 objection as before also as to scope. 16:49:37
A I cannot speak for S&P but I would say I 16:49:40 personally was not aware.

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Q So was there any discussion within 16:49:44 structured finance about the likelihood of higher 16:49:46 defaults in the RMBS area? 16:49:50
MR. RINGEL: Your question is directed to 16:49:55 structured finance. Do you mean the entire structured 16:49:57 finance group or SIVs? 16:49:59
MR. CAPUTO: No, I don't know the answer to 16:50:07 that. It depends on what he tells me. 16:50:09
MR. RINGEL: All right. I am going to object 16:50:11 because that is an awfully broad question. 16:50:12
MR. CAPUTO: He is in the structured finance 16:50:15 group. 16:50:16
MR. RINGEL: So are many other people. The 16:50:17 scope of your 30(B)(6) request is a lot narrower than 16:50:18 that. You have changed terms and I think that is 16:50:23 trouble, so I am going to object to form and as beyond 16:50:25 the scope. You may answer. 16:50:29
A As I testified before, I said I was aware 16:50:32 of papers and articles, public articles that were 16:50:36 produced in 2007 about the housing market in general, 16:50:40 produced by the RMBS group, and in those ones there were 16:50:44 discussions about specific vintages and ratings in the 16:50:48 capital structure, so we did take note of those. The 16:50:53 reality is that in the SIV sector, particularly in 16:50:58 Rhinebridge, those assets were not part of the

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investment in the portfolio, even on the investment 16:51:04 guidelines of the manager. 16:51:07
Q RMBS was not part of the investment 16:51:16 portfolio in Rhinebridge? 16:51:18
A That is not what I said. 16:51:21
Q Well, let me ask it. Was RMBS a part of 16:51:28 the investment portfolio in Rhinebridge? 16:51:31
A Yes. 16:51:33
Q In light of the information that you are 16:51:37 talking about, and this general understanding, was there 16:51:39 something more formal that came from higher in the 16:51:42 Standard & Poor's hierarchy that suggested to people 16:51:45 such as you, who were rating various in this case 16:51:49 structured investment vehicles, that there should be 16:51:56 some greater concern paid to the changing market forces 16:51:59 regarding RMBS? 16:52:05
MR. ROCHE: Object to the form. 16:52:09
MR. RINGEL: Objection to form. 16:52:10
A No, there was not any formal announcement. 16:52:12 What I said is that clearly we produced research, and we 16:52:16 were looking at that research from our colleagues, and 16:52:19 we were taking note of that, as I said, in our 16:52:22 surveillance, continuous surveillance analysis of the 16:52:25 vehicles. 16:52:29
MR. CAPUTO: Let's go off the record.

TAB 10

From: Drennan, Gregg (FID) [Gregg.Drennan@morganstanley.com]
Sent: Friday, March 02, 2007 11:55 AM
To: Drennan, Gregg (FID); Guadagnuolo, Lapo; Katugampola, Navindu (FID); Inglis, Perry; Wallis, Stephen; Neil.Ryan@ikb-cam.de; Valev, Iskren (FID); Chen, Gracie (FID); Frank.Gaertner@ikb.de; Mccabe, Stephen
Subject: RE: Update on the AAA rating for Senior Capital Notes
Lapo

Per the below, we still have concerns on your SCN feedback. However, in the interests of time we would like to ensure that we continue to work full speed on all the other issues outstanding (termsheet (which you will receive today), legal docs, due dilligence, etc), understanding that S&P will not be rating the SCNs above A unless the point below is resolved.

In particular, in light of our various discussion on the SCNs, and in order to finalise our collective analyses as quick as possible, we would propose reverting to our previous methodology (used on Cheyne) for rating the MCNs and the CCNs (combo capital notes - I know you guys ultimately didnt rate the CCNs but we had finalised the numbers and methdology). This means that we will be using:
- the simulation model to prove that probability of defeasance (as measured by the probability of a market value drop of a given size) is consistent with a A rating
- the separate excess spread analysis used for both the MCNs and the CCNs

We will refresh both of these analyses with IKB specific numbers and send you results for a) our long term target portfolio (WAL = 3.25yrs), and b) the expected day 1 portfolio (WAL = 4.7 yrs) for your sign off.

We will use the same assumptions (in terms of spread vol, etc) as on Cheyne. However please let us know as soon as possible if there would be any additional sensitivity runs you would require to consider prior to sign off.

I hope that by using this approach we can reach an answer on the MCNs and the CCNs by the end of next week?

Yours,

Gregg Drennan - Executive Director
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From: Drennan, Gregg (FID)
Sent: 01 March 2007 16:15
To: 'Guadagnuolo, Lapo'; Katugampola, Navindu (FID); Inglis, Perry; Wallis, Stephen; Neil.Ryan@ikb-cam.de; Valev, Iskren (FID); Chen, Gracie (FID); Frank.Gaertner@ikb.de; Mccabe, Stephen
Subject: RE: Update on the AAA rating for Senior Capital Notes

Lapo,

We are ok for the same rating stresses to be applied (e.g. same market value drop), however we expect the structural features to differ in relation to the senior notes (SNs) and the senior capital notes (SCNs) - ie loss of AAA rating for the SNs will lead to defeasance but loss of AAA rating for SCNs will not result in defeasance but in restricted investments. I believe your committee is mistakenly tieing together two distinct concepts.

The key question is, considering the SIV structure and note features, should loss of either rating result in defeasance:
a) If the SIV loses its A-1+/AAA SN rating it will likely be prohibitively expensive to continue business and it may not even be possible to refinance the SNs, which have an expected WAL of 6 months, hence resulting in liquidation of assets and recognition of market value losses. As such the defeasance trigger simply formally forces a funding stop on raising SNs which likely would have happened anyway.
b) In contrast loss of the SCN rating, whilst having negative reputational effects, will not cause liquidation of the portfolio. Even if the SCNs, with an expected WAL of 5yrs, are shortly coming due and cannot be refinanced, the structure is protected by the 3 year legal tail on the SCNs, and the fact that failure to repay SCNs at expected maturity is a restricted

investments event. Amortisation of the assets will therefore be used to ensure repayment of SCNs and other liabilities (e.g. the structure isnt exposed to losses caused by forced liquidation) - note that the capital note maturity test specifcially tests the ability of asset amortisations to cover liability amortisations.

Please explain why, in the 2nd case, where the downgrade of the SCNs would not otherwise result in liquidation and realised market value losses, you wish there to be a liquidation and realised losses forced on capital noteholders?

Also, we believe that as long as different structural triggers and the risks invovled are clearly explained to investors, this is the key consideration.

I would also stress that your feedback seems illogical given:
- it implies both the SCNs and the MCNs would have the same A rating
- the fact that the recent SIV-Lites have significantly lower subordination below AAA and AA than we are proposing for broadly similar portfolios

Yours,

Gregg Drennan - Executive Director
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Gregg.Drennan@morganstanley.com

From: Guadagnuolo, Lapo [mailto:Lapo_Guadagnuolo@standardandpoors.com]
Sent: 26 February 2007 12:03
To: Katugampola, Navindu (FID); Inglis, Perry; Wallis, Stephen; Neil.Ryan@ikb-cam.de; Drennan, Gregg (FID); Valev, Iskren (FID); Chen, Gracie (FID); Frank.Gaertner@ikb.de; Mccabe, Stephen
Subject: Update on the AAA rating for Senior Capital Notes

Dear All,

as promised, we checked again internally on the feasibility of assigning a AAA rating to the Senior Capital Notes for this vehicle and the outcome is that we are comfortable to allow that provided that assumptions/stresses and rating methodology as a whole used to rate these notes do not differ form the ones used to rate the AAA/A-1+ senior notes.

In other words, among other things, restricted funding must start when the market value of the assets, multiplied by the AAA capital matrices, is enough to cover the par value of all AAA rated liabilities (regardless if they are senior notes or senior capital).

Please let us know how you would like to proceed.

Best regards
Lapo

TAB 11

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

KING COUNTY, WASHINGTON)
Individually and on Behalf of)
All Others Similarly Situated,)
Plaintiff,)
vs.) Civil Action No.
IKB DEUTSCHE INDUSTRIEBANK AG,) 1:09-cv-08387-SAS
et al.,) CLASS ACTION
Defendants.)
----------------------------------)
IOWA STUDENT LOAN LIQUIDITY)
CORPORATION, Individually and on)
Behalf of All Others Similarly)
Situated,)
Plaintiff,) Civil Action No:
vs.) 1:09-cv-08822-SAS
IKB DEUTSCHE INDUSTRIEBANK, AG,) CLASS ACTION
et al.,)
Defendants.)

HIGHLY CONFIDENTIAL

VIDEOTAPED DEPOSITION OF DAVID ROSA
TUESDAY, NOVEMBER 29, 2011
PAGES 1 - 172

APPEARANCES OF COUNSEL:

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ALSO PRESENT:

WENDY VINER, Videographer

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Q Where was that meeting?
A Moody's.
Q For how long did you meet yesterday?
A Around five hours.
Q Who was present at that meeting yesterday?
A Joe and James, and Angela popped in for five minutes.
Q Was anyone on the phone during the meeting yesterday?
A Yes, we called the lady from the fee department so that I could testify today about that area, if questioned.
Q The fee department at Moody's?
A Yes.
Q Do you recall the name of that woman?
A It will come to me. Not immediately.
MR. COSTER: What is her name?
MR. DOTY: Deborah Gonzalez.
A Deborah Gonzalez.
Q During the first meeting, did you review any documents?
A Yes.
Q About how many documents did you review?
A I didn't count them. I wouldn't know. Several documents.

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Q Can you give me an approximation of the number of documents you reviewed at the first meeting?
A No.
Q More than 50?
A No, less than 50.
Q More than 20?
A I think around that number.
Q What types of documents did you review during the first meeting?
A E-mails and committee memos.
Q How much time did you spend reviewing documents?
A In that meeting?
Q Correct.
A I wouldn't know. I think one is presented a document and I read it and prepared for this deposition, but I wouldn't be able to give you an exact time.
Q Did any of the documents that you reviewed during the first meeting refresh your recollection?
A No, not particularly. I had an idea of the rating process for Rhinebridge and it sort of helped me to be able to prepare to testify today.
Q Who selected the documents that you reviewed during the first meeting?

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MR. COSTER: Object to form. To the extent your attorney showed you documents it is privileged what documents were shown to you, but I will let you answer subject to the objection.
A The documents or the committee memos that we ourselves prepared to rate Rhinebridge, they were selected by the counsel, but then upon reading them we may have selected or asked to see other committee memos, so that is the way the process worked.
Q Did you review any documents that were not provided to you by your attorneys?
MR. COSTER: Object to form, just ignored the earlier answer. You can answer.
A No.
Q Did you review any deposition transcripts or deposition videos in preparation for today's deposition other than the deposition of last April 2011 deposition that you said that you looked at?
MR. COSTER: Object to form.
A No, not depositions, no. Not other people's depositions, no.
Q How about during the second meeting, did you review documents during the second meeting?
A Yes, it was the same as the first, memos and e-mails.

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Q Did any of the documents you reviewed during the second meeting refresh your recollection?
A Of the process, yes, it confirmed my recollection of the process.
Q And what recollection was that?
MR. COSTER: Object to form.
A Just the way we rate SIVs in general and that Rhinebridge followed the same approach, so it reinforced my prior view.
Q How about in the third meeting at the hotel with Mr. Doty and Ms Jung and Ms Lau, did you review documents during that meeting?
A Yes, we did.
Q Do you know approximately how many documents you looked at during that meeting?
A There were not many. It was after work and we didn't spend a lot of time, so perhaps around ten.
Q What types of documents were they?
A E-mails and committee memos, around the rating process of Rhinebridge.
Q Did any of the documents reviewed at the third meeting at the hotel refresh your recollection?
A The answer I gave to the previous meeting still applies. It confirmed my understanding of how we

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had rated Rhinebridge and it allowed me to observe the facts looking at the memos that we -- what we had done was exactly as we had rated other SIVs before.
Q Did the documents refresh any other recollection?
MR. COSTER: Object to form, mischaracterizes the earlier testimony.
A No, nothing in particular, no.
Q How about in yesterday's meeting, did you review documents yesterday?
A Yes.
Q Approximately how many documents did you review yesterday?
A Less than 10. Around 10 or less than 10.
Q Did any of the documents you reviewed yesterday refresh your recollection?
A No. They confirmed my prior view of the way we rated Rhinebridge to be able to testify today.
Q Who selected the documents that you looked at yesterday?
MR. COSTER: Object to form. To the extent your lawyer sourced the document it is privileged, if not then it is not privileged, then you can answer subject to that objection.
A Counsel selected documents. There was one

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actually asked for.
Q What was that? There was one that you actually asked for, is that what you said?
A Yes.
Q Which document was that?
A Can I?
MR. COSTER: Sure.
A The time schedule. So I could not remember exactly when we -- to get the dates right when we rated and we assigned and when we received the application form, when we assigned the first rating. I could not remember that, when did the committees take place, when did we take rating action and so forth. I couldn't remember the month and so I asked for a timeline.
Q What is the time schedule? Is that a document that was created by Moody's?
MR. COSTER: Object to form. If you know.
A Sorry?
MR. COSTER: If it was prepared by counsel don't testify to it. If it was prepared by Moody's you can testify to it. If you don't know you can say you don't know.
A I asked counsel for it so that I could -- just the dates and which months and which things.

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MR. COSTER: His question is do you know who prepared it.
A No, I don't know. It is publicly available information. I was lazy. I could have got it myself but I asked for help.
Q Did any other documents refresh your recollection that you reviewed yesterday?
MR. COSTER: Object to form, mischaracterizes the earlier testimony.
A No.
Q Did you communicate with anyone other than your attorneys, Ms Lau or Ms Jung, in preparation for today's deposition?
A Paul Kerlogue.
Q Paul Kerlogue. When did you speak to Mr. Kerlogue?
A Yesterday.
Q Why did you speak to Mr. Kerlogue?
A Again, to prepare for this deposition, get his views. He was the analyst after Fanny left. He had reviewed the legal documents and so I wanted to also have a discussion with him.
Q What legal documents are you referring to in your prior answer?
A The transaction documents. Collateral

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management agreement, trustee agreement, swap documentation, the issuer's memorandum of association, the whole legal structure for Rhinebridge.
Q Is Mr. Kerlogue a current Moody's employee?
A Yes.
Q What is his position at Moody's?
A His position is Vice President Senior Credit Officer, I believe.
Q Did you meet with him at Moody's offices in London?
A Yes.
Q Was anyone else present during your meeting with Mr. Kerlogue?
A James.
Q Did you make any efforts to speak with anyone else in preparation for your deposition today?
MR. COSTER: Object to form. Other than any people he has already identified?
Q Yes. Any other people? You said you talked to your lawyers, Angela Jung, Fanny Lau and Paul Kerlogue. Is that right?
MR. COSTER: And Deborah Gonzalez.
Q And Deborah Gonzalez.
A Yes. No, these are the people which had

am not 100 percent sure, but that is the way it works, so it becomes more and more granular, what is the rating of asset, what is the asset class, what is the WAL, what is the liability, and then all of that together provides the final haircut, which again is a stress on top of the market value of the assets, which is the key or one of the key components we are always looking at.

MR. ALVARADO: Why don't we go ahead and take a break.

THE VIDEOGRAPHER: Going off the record. The time is 12:47.

(Break for Lunch.)

THE VIDEOGRAPHER: We are back on record. The time is 1:43.

MR. ALVARADO: Do you understand you are still under oath, Mr. Rosa?

A Yes.

Q We talked about haircut matrices earlier. Do you remember that testimony that you gave about haircut matrices?

MR. COSTER: Object to form.

A I remember you asked about it.

Q And a haircut is a discount applied to the market value of the SIV's assets, right?

MR. COSTER: Object to form. No foundation.

You can answer.

A Yes it is a stress which could be viewed as a discount, a discount factor, I guess.

Q And what are haircuts used for?

MR. ROCHE: Object to form.

MR. COSTER: Object to form. Outside the scope. If you want to ask about the Rhinebridge SIV you can.

MR. ALVARADO: I will withdraw. What were the haircuts that were applied to the Rhinebridge SIV, what were the purpose of those haircuts?

MR. ROCHE: Object to form.

MR. BUELL: Object to form.

MR. COSTER: Same objection. You can answer.

A As I have tried to explain, in rating the senior notes, the CP and the MTN, we start with the market value of the assets. We then look at the operating states of the vehicle and, in particular, the triggers that lead to restricted funding, because that is the first protection mechanism of the SIV. Then the second layer of analysis is the qualitative analysis, the quality of the investment manager, the strength of the sponsorship from in this case IKB. Then, thirdly, for the senior notes, we also look at a particular analysis which has to do with the capital adequacy. In

relation to the capital adequacy, the haircuts play a role, in the sense that they are an additional stress to the market value of the assets, and if that stress goes below a certain level, the way the operating states of the vehicle work is that could also lead to a change in operating state, but beyond that they allow us to monitor the vehicle and see up-front not only what is the market value today but also what is the scenario in the future, and of a stressed scenario in the future, and if there is enough cushion on the capital side to absorb such a particular event. So that is the role they play in SIVs and in Rhinebridge.

Q Do the haircuts contribute to the sizing of the cushion?

MR. COSTER: Object to form.

A One of the factors that influence the size of the capital notes are the haircuts. The second factor is the actual rating of the capital notes themselves, because the larger the capital notes the higher their rating, because the lower will be the likelihood of a defeasance, so it is one of the many factors that determine the overall size of the cushion.

Q How are haircuts calculated?

MR. COSTER: Object to form. Talking about the haircuts in Rhinebridge, right?

Q Just generally, how are haircuts calculated?

MR. COSTER: Don't answer the question. Beyond the scope.

MR. ALVARADO: You are instructing him not to answer on the beyond the scope basis?

MR. COSTER: Yes. That question was also asked of other witnesses. If you tie it to Rhinebridge, it is fine. If you want a witness on SIVs in general, you should have said so. We told you we would testify here as to the rating of the Rhinebridge SIV. If you want to find out about that, you can ask him about the Rhinebridge SIV.

Q How were the haircuts that were used in the Rhinebridge SIV calculated?

MR. BUELL: Object to form.

A In the case of the Rhinebridge SIV, we followed an equivalent process as we have been discussing for the capital notes, in relation to rating the capital notes. So first of all there was a proposal put forward by the manager, and in this case together with the arranger. My recollection or my understanding is that the proposal is very similar, if not identical, to the proposal that was put forward for the Cheyne SIV. So in that regard part of the work that was done for

Cheyne on our side was, you know, to restate, we had the benefit of extensive amount of work that we did for Cheyne, and there was a particular committee where those haircuts were discussed, because Rhinebridge made a proposal for having a senior capital note with a rating of AAA, and therefore, to be able to provide feedback to that proposal, we had to once again review the haircuts in the context of Rhinebridge. So we discussed again to what extent there would be a need to change anything that was discussed at the time of Cheyne. We then provided feedback in relation to rating the senior capital notes, which was different from Cheyne, so then there is the Cheyne structure.

So, in summary, to rate the senior notes, we look at market value, the operating states, we look at the haircuts in connection to Rhinebridge, the work that was done, extensive work that was done for rating Cheyne was used here as well, when providing feedback. There was a specific difference in relation to Cheyne and there was a committee that discussed that difference.

Q The haircuts that were used to rate the Rhinebridge senior notes were identical to the haircuts used to rate the Cheyne SIV senior notes, were they not?

MR. COSTER: Object to form, foundation.

A I don't have a specific recollection. My

understanding is in the memo you showed me, the committee memo you showed me. Well, here actually, this one, 377, that what we see here is the same as in Cheyne. I mean, the one -- the last matrix capital requirement factor, I recall from the depositions on Cheyne that the CDO bucket had a stress which was above the others. I can see it here. So that one seems very similar, if not identical. The others I can't respond with the same level of confidence, but my general understanding is that if not similar, very similar.

Q They were identical, weren't they?

MR. COSTER: Object to form. Asked and answered. He just answered the question. You can answer it again.

A To my best recollection, if not identical, very similar.

Q So despite the fact that there had been two years of additional data following the close of Cheyne, Moody's didn't update the haircuts. Right?

MR. COSTER: Object to form.

MR. BUELL: Object to form.

MR. COSTER: Completely ignores the earlier testimony.

A So the analysis that we did to rate Rhinebridge, we took into consideration the work we had

done in Cheyne, took into consideration the work that we were doing across the sector, because other managers were putting forward similar proposals, and we took into consideration market events since rating Cheyne, which at that point were very, very positive. There had been no rating transitions on the asset classes Rhinebridge was intended to invest in, and from a market value perspective there had been no indication whatsoever at that point that our assumptions needed to be revised. An important thing to understand this fully is that the Cheyne haircuts had already been constructed, and assuming very, very distressed scenarios, and we had reviewed that over a period of two years, and the following years simply reinforced our previous assumptions. Nothing materially -- nothing significant happened. Therefore, our understanding at the point of rating Rhinebridge is that our stresses should be maintained.

Q I will mark Exhibit 378.

(Exhibit P378 marked for identification)

Exhibit 378 is an e-mail string bearing Bates number MDYS RHNB 050532 through 050533. The e-mail string begins at the bottom of page ending 532. It is an e-mail -- it is the same e-mail that we looked at earlier in Exhibit 375, where Morgan Stanley sent along a simulation model to

yourself and Angela and Fanny. Do you see that?

A Yes.

Q Have you compared that with Exhibit 375?

A Yes.

Q Fanny responded to that e-mail, do you see that, on February 7 and she says:

"Hi, Navindu. In your memo, there is the following paragraph under the section mean spread used in the model: For the calibration runs, we will use the mean historical spreads that were originally computed in order to produce our capital matrices proposal to Moody's. They are based on historical spread data analysis and interpolations as described in our memo 'Haircut matrices proposal' sent to you on 2 July 2004.

"Could you please send us a copy of the haircut proposal when you are free."

Do you see that?

A Yes.

Q So Fanny is requesting that Morgan Stanley send along the haircut proposal that Morgan Stanley is putting forward. Correct?

MR. COSTER: Object to form, vague and ambiguous.

A Yes, my interpretation of 378 is that it follows 375. Fanny received the simulation model, there

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Q And it says: "Key test breach. Rhinebridge has breached its NCO5 test on 7 September, Friday last week, and is currently in Restricted Investment." Do you see that?
A Yes.
Q We touched on it earlier today, but can you describe for me what the NCO5 test is?
MR. COSTER: Object to form, asked and answered.
A Yes.
MR. COSTER: You can answer it again.
A Okay. I will make reference to -- it is easier to respond that way -- to our presale. So referencing Exhibit 381, 42003, the liquidity tests are comprised of four different analyses. The first one is the one day test, the five day, the 10 and the 15. In relation to the one and the five day test, we compare the net cumulative outflows, so these are the outgoings, CP and MTNs which are maturing over the next year, and we compare those with the available liquidity, such as committed repos, breakable deposits, asset puts, money market funds and committed liquidity facilities provided by P one rated financial institutions with same day availability, no cancellations and limited default clauses. So, in essence, we are comparing outflows with

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available liquidity and cash in deposit. So all of that then, either the liquidity -- all these forms of liquidity is greater or lower than the one day and the five day test. If it is lower, there is a breach. So there is no -- from these tests there is no -- we give zero value to LEAs. So this is actually a good example of how the tests are so broad, in some cases we give value LEAs with haircuts, other cases we don't, so that we capture the full type of risks that an SIV may face, and in this particular situation there seems to have been a breach of the Exhibit 384, there seems to be a breach in the NCO5.
Q Okay. So the five just represents how much outflow is expected within the next five days. Is that right?
MR. COSTER: Object to form. He just testified as to what the 5 was.
A No, it is the cumulative five, so it is a rolling window of five days, so it is the next five days, then it is the second day to the sixth, the third day to the seventh, so it is a rolling window of five days up to one year.
Q Okay, and then there is the box there that represents the portfolio. Do you see that?
A Yes.

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Q It says: "Portfolio size, USD 2.26 billion" and WAL, weighted average life, 3.35 years. Do you see that?
MR. BUELL: Objection, mischaracterizes the document.
A Yes, I see that, yes, weighted average 3.35, yes.
Q And the third entry there is "home equity loans". Do you see that?
A Yes.
Q If you look over to the right, to the furthest right, the total percentage of home equity loans in a Rhinebridge SIV as of September 7, 2007 was 49.8 percent. Right?
MR. COSTER: Object to form, no foundation, assumes facts not in evidence.
A Yes, that is what it says here.
Q And then there is the other asset types are also listed there, right, "cash equivalents", do you see that?
A I do.
Q And that is 3.3 percent?
A Yes.
Q And then there is a note after the table there that says "Large RMBS exposure, almost 95 per cent

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of the portfolio comprised of assets with direct/indirect RMBS exposure. Nearly 50 percent of the portfolio is comprised of HELs." Does that comport with your recollection of the Rhinebridge SIV's RMBS exposure?
MR. COSTER: Object to form, no foundation.
A I think so, yes. There is nothing here that is surprising.
MR. ALVARADO: I might be done. Can I take five minutes?
MR. COSTER: Sure.
THE VIDEOGRAPHER: Going off the record. The time is 4:31.

(A short break)

THE VIDEOGRAPHER: We are back on the record. The time is 4:46.
MR. ALVARADO: I have no further questions at this time. Thank you for your time.
MR. COSTER: Anybody else.
MR. BUELL: No questions.
MR. ROCHE: No questions.
MR. COSTER: We want to mark it "Highly Confidential". Mr. Rosa would like to review and sign the transcript.

TAB 12

From: Katugampola, Navindu (FID) <Navindu.Katugampola@morganstanley.com>
Sent: Wednesday, February 7, 2007 2:28 PM (GMT)
To: Lau, Fanny <Fanny.Lau@moodys.com>
Cc: harvey <harvey@morganstanley.com>; Jung, Angela <Angela.Jung@moodys.com>; Rosa, David <David.Rosa@moodys.com>
Subject: RE: Simulation Model memo - 6 February 2007 sent to Moodys.doc

---

Fanny,

In the calibration runs we have been sending you we have actually been using current market spreads, not mean historical spreads. This gives a more accurate representation of the portfolio's current market value in the simulation, and thus should make it easier to tie out numbers closer to pricing (when, as the model memo describes, we would be using then current market spreads). The memo you refer to was part of our original proposal to you to determine the Capital Requirement Matrices, which should stay the same.

Thanks,

Navindu

Navindu Katugampola
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Navindu.Katugampola@morganstanley.com

From: Lau, Fanny [mailto:Fanny.Lau@moodys.com]
Sent: 07 February 2007 10:01
To: Katugampola, Navindu (FID)
Cc: harvey; Jung, Angela; Rosa, David
Subject: RE: Simulation Model memo - 6 February 2007 sent to Moodys.doc

Hi Navindu,

In your memo, there is the following paragraph under the section mean spread used in the model:

For the calibration runs, we will use the mean historical spreads that were originally computed in order to produce our capital matrices proposal to Moody's. They are based on historical spread data analysis and interpolations as described in our memo "Haircut matrices proposal" sent to you on 2-Jul-2004.

Could you please sent us a copy of this haircut proposal when you are free?

Many thanks,
Fanny

-----Original Message-----
From: Katugampola, Navindu (FID) [mailto:Navindu.Katugampola@morganstanley.com]
Sent: 06 February 2007 17:22
To: Lau, Fanny; Jung, Angela; Rosa, David
Cc: harvey
Subject: Simulation Model memo - 6 February 2007 sent to Moodys.doc

Fanny & team,

Please find attached the Rhinebridge simulation model memo, as requested. I am working on producing a summary of this, and will send this through as well.

Thanks and regards,

Navindu

This is not an offer (or solicitation of an offer) to buy/sell the securities/instruments mentioned or an official confirmation. Morgan Stanley may deal as principal in or own or act as market maker for securities/instruments mentioned or may advise the issuers. This is not research and is not from MS Research but it may refer to a research analyst/research report. Unless indicated, these views are the author's and may differ from those of Morgan Stanley research or others in the Firm. We do not represent this is accurate or complete and we may not update this. Past performance is not indicative of future returns. For additional information, research reports and important disclosures, contact me or see https://secure.ms.com/servlet/cls. You should not use e-mail to request, authorize or effect the purchase or sale of any security or instrument, to send transfer instructions, or to effect any other transactions. We cannot guarantee that any such requests received via e-mail will be processed in a timely manner. This communication is solely for the addressee(s) and may contain confidential information. We do not waive confidentiality by mistransmission. Contact me if you do not wish to receive these communications. In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules).